

NEWS SUMMARY

GENERAL

Lebanon clashes leave 75 dead

Lebanon's right-wing Phalangist Party held control of many cities and barracks of the rival left-wing National Liberation Front after the worst fighting in the country for over a year had left 75 people dead and scores injured.

Tanks, artillery, rockets and machine guns were used in the clashes between the two Christian organisations.

Phalangist Party chief Pierre Gemayel and NLF leader Camille Chamoun were meeting to discuss ceasefire terms.

Bill vote

Government survived an attempt to tighten up the Employment Bill in the Lords with a majority of 208. Parliament, Page 8

Open verdicts

Jury at the Warrenpoint massacre inquest in Co. Down returned open verdicts on 18 soldiers killed by two bombs. The coroner described the deaths as "the most heinous and gruesome I have dealt with".

Terrorism move

Government dropped the power to detain suspected terrorists indefinitely and without trial from the Northern Ireland Emergency Provisions Order. Parliament, Page 8; Hangey pressure, Page 5; Feature, Page 19

VAT probe

Customs and Excise officials are investigating possible irregularities in a VAT-free scheme for customers operated by Bannbury Buildings, home improvement division of London Brick. Back Page

Envoy recalled

South Africa had recalled all senior members of its diplomatic mission in Zimbabwe, Foreign Minister P. W. Botha said in Pretoria. Page 3

Atom waste demo

Seven people were arrested after a train carrying nuclear waste was halted by demonstrators who built a barricade across the track near Dursley, Glouce.

Marriage laws

The Prime Minister said the Government had no plans to change the law so Prince Charles could marry a Roman Catholic. Parliament, Page 8

Detective jailed

Detective Kevin Carrington, was jailed at the Old Bailey for seven years after being found guilty of passing on cannabis seized by police.

Arizona hunt

Patrolmen in Arizona hunting smugglers who led illegal immigrants from El Salvador to their deaths said some of the women were so ill-prepared they had started their journey in high-heeled shoes.

Iran executions

Seven men were executed by hanging in Tehran as part of a campaign against smuggling and drug dealing. Page 3

Leaping exports

India last year exported 3,764 tonnes of frogs' legs worth about £2m, to the U.S. Europe and Africa, according to figures from the Frog Culture Research Centre, near Calcutta.

Briefly

Earth tremors rocked parts of the Midlands. Sussex was hit by floods. Forecast, Back Page
Dame Gracie Fields left £187,153 (£270,153 gross) in her will.

BUSINESS

\$ steadies after support; Gold up

DOLLAR steadied but only after widespread support from central banks. It closed at DM 1.7405 (DM 1.7385) and its trade weighted index remained at 82.5. Page 23

STERLING fell 0.9c to close at \$2.2735, but its trade weighted index was unchanged at 84.4. Page 23

GOLD continued to improve in London, closing \$6 up at \$682.5. Page 23



PLATINUM rose sharply in London to its highest level for four months before falling to \$203.00 a troy oz—\$25.25 up on the previous close. Page 27

GILTS faded with news of the June banking figures after early gains in a volatile market. The Government Securities Index fell 0.05 to close at 70.33. Page 23

EQUITIES fell after early gains in mixed trading. The FT 30-share index closed 2.3 down at 494.7. Page 23

WALL STREET was down 1.20 at 897.01 near the close. Page 27

ROUGH DIAMOND sales rose 35 per cent to \$1,570m (\$650m) in the first half of this year.

ECC COMMISSION is to announce measures which will sharply reduce sales of U.S.-made polyester filament yarns in the Community. Back Page

U.S. wholesale prices rose 0.3 per cent in June—significantly faster than in the previous two months. Back Page

BRAZIL'S annual inflation rate rose to 98.2 per cent at the end of June, the highest ever.

WEST GERMAN economy showed signs of slower growth with manufacturing industry's orders for April-May down by 15.5 per cent in real terms from February-March. Page 2

BARCLAYS BANK announced new personal savings and deposit accounts which will be competitive with those offered by building societies. Back Page

NUMBER of bad debtors and business failures in the UK increased sharply in the first half of this year, according to Trade Indemnity, one of largest underwriters of credit insurance. Back Page

ROTHMANS INTERNATIONAL, the tobacco group, reported a £17.7m drop in pre-tax profit to £90.5m for the year to March. Page 20; Lex, Back Page

WADDINGTONS, the games manufacturer, finished the year to March with pre-tax profit almost halved at £861,000 (£1.88m). Page 20

LONDON AND MIDLAND Industrials, the consumer and engineering group, increased pre-tax profits from £2.13m to a record £3.45m in the year to March. Page 20

Rate of monetary growth 0.25% over Government target

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RATE of monetary growth is still slightly above the upper end of the official target limits of a 7 to 11 per cent annual rate of increase, in spite of some slowdown last month.

Banking figures published yesterday by the Bank of England were known by the Government before last Thursday's decision to cut Minimum Lending Rate by one percentage point to 16 per cent.

The figures show the decision was based much more on anticipation of a slackening in monetary growth and bank lending than on evidence of a significant change in the trend so far.

The preliminary indications are that sterling M3, the broadly defined money supply, grew by about 1 per cent in the month to mid-June. This would mean an increase of 11 1/2 per cent at an annual rate since the start of the current target period in mid-February and an annual rate of growth of 10 1/2 per cent over the past six months.

The figures were at the upper end of the expected range. Consequently, prices of gilt-edged stocks, which had been slipping back before the announcement on profit-taking, weakened further. This creates considerable uncertainty about the level of support for this

morning's offer by tender of £800m of 1987 stock.

Some City analysts have been surprised that the Government cut M.L.R. before more definite evidence emerged of a slower rate of monetary growth.

The official view is that the money supply is definitely not accelerating and is around the upper end of the range.

There has nevertheless been a significant shift of emphasis in policy from a concern primarily with recent statistics and current uncertainties to a more forward-looking approach.

The key influence has been the daily evidence of the deepening recession which is expected by the Government to lead to a marked slackening in policy in both the private sector demand for credit and in monetary growth.

On this view it would be wrong to keep up interest rates and risk an excessive squeeze, especially as bank lending to the private sector usually lags behind changes in the economy. This anticipatory optimism as it has been described by broker James Capel—has led to different views on when M.L.R. will be cut again. Some analysts believe a further move will come within a month, while others think any change will await clearer evidence of a

monetary slowdown.

The main indicator published yesterday was for eligible liabilities, a large part of the banking system's deposits. These rose by 2.3 per cent to £56.45bn last month.

This is not an exact guide to sterling M3, largely because of seasonal influences and banking transactions with the discount market. Both these factors reduce the expected rise to around 2 per cent, though, unusually, officials yesterday warned this figure might have to be revised in the light of later information.

The London clearing banks yesterday said the underlying increase in their advances last month seemed to have been appreciably lower than the average over recent months. But this may be a misleading guide to the overall picture which may show only a slight moderation in the growth of bank lending.

This remained a substantial expansionary influence on the money supply. The banks appear to have anticipated the abolition in mid-June of the corset controls on the growth of their operations. This is shown by the 3 1/2 per cent rise last month in interest-bearing eligible liabilities, the subject of corset controls.

Bank balances, Page 10
Editorial comment, Page 18
Lex, Back Page

Thatcher unruffled over miners' £100 pay call

BY CHRISTIAN TYLER, LABOUR EDITOR

GOVERNMENT MINISTERS reacted with studied calm yesterday to a toughly worded and politically-charged pay demand unanimously adopted by miners' delegates at their annual conference.

Both the Prime Minister and the Employment Secretary refused to be flustered by wariness from the militants of the National Union of Mineworkers that the wage claim would be used to discredit Government policy and could lead to a premature electoral defeat, as in 1974.

Mr. James Prior, Employment Secretary, said wage negotiations were a matter for the National Coal Board and the NUM, not for politicians. Nor was there any question of a pay policy this winter.

Mrs. Thatcher told the Commons at Question Time she was more concerned with wage

settlements, not claims. "This is the season of trade union conferences and you must expect to hear of high wage claims."

The Prime Minister said she thought many miners were happy with their pay, and she noted that young people were queuing to join the industry.

At their conference in Eastbourne, the NUM delegates approved a demand for a basic minimum wage of £100 a week, to be paid as salary, from January 1. The present minimum, for surface workers, is £73.65. This implies increases for all grades of about 35 per cent, and ignores all ministerial exhortations for wage expectations to be kept well below the prevailing rate of price increases.

The sting in the tail, which ties the hands of the NUM negotiators, more tightly than for many years, is an instruction for a special delegate conference to be called "as a prelude to consulting the membership about taking various forms of industrial action" if the NCB refuses to meet the claim.

The big Left-wing led coalfields of Yorkshire, Scotland and South Wales have by this means prevented a repetition of last year's snap ballot of the membership. Activists would be given time to mount a vigorous picket campaign.

For the Coal Board, the main worry appears to be that in spite of high earnings enjoyed by many top-rated faceworkers—an average of nearly £150 a week—grievances about the tough new financial constraints proposed for the industry will start a ground swell of political opposition.

Continued on Back Page
McGaughey denied; Joint action urged, Page 8

Belgrade 'seeks Western loans'

BY PETER MONTAGNON IN BASLE

YUGOSLAVIA HAS approached leading Western Governments and central banks for assistance in raising international loans of more than \$2bn to help finance its deteriorating balance of payments deficit.

Central bankers at this month's meeting of the Bank for International Settlements in Basle said that national authorities in a number of countries had been asked by Yugoslavia to act as intermediaries with their commercial banks to arrange the package "on the basis of market conditions".

Yesterday's talks gave the bankers an opportunity to compare notes on the requests which have been made, individually to the countries concerned.

However, the National Bank of Yugoslavia in Belgrade said that no formal approach had yet

been made to central or commercial banks abroad.

It is understood in Basle, however, that President Carter responded sympathetically during his visit to Belgrade last month to a request for assistance in raising \$1bn from the U.S. financial community. A large credit is also being sought from West German banks as well as from other European countries.

It comes as little surprise in Euro-markets that Yugoslavia is seeking funds. Its external payments were in deficit by some \$3.7bn last year and an even worse result is likely in 1980.

However, the country has experienced difficulty in raising funds on commercial markets this year. This is due partly to political uncertainty following the death of President Tito, but mostly to the poor performance of the Yugoslav economy and lending limits at some major banks.

Burdened by deteriorating trade, Page 25
Soviet delegation, Page 2

Midlands workers settling for less

By Arthur Smith, Midlands Correspondent

EVIDENCE THAT the Government's tough industrial policy is reducing pay expectations and settlements came yesterday from the West Midlands region of the Confederation of British Industry.

Recent deals negotiated against the background of the deteriorating trade position were already averaging 8 per cent, said Mr. Reg Parkes, the regional CBI chairman. Single figure settlements were expected to be the norm in the autumn pay round, with some companies unable to make any award.

There is evidence too that the sharp decline in the West Midlands economy, with its heavy dependence on the troubled motor industry, has undermined the militancy of workers.

Mr. Phil Povey, a regional officer of the Amalgamated Union of Engineering Workers, said last night "I have never known Midlands workers so docile. They have been punched and battered by the flood of redundancies and short time working."

BL Cars says there is "a significant change" in workers' attitudes and many of the controversial changes in working practices proposed by the management have already been implemented.

Union leaders have expressed surprise at the ease with which BL appears to have gained shop floor backing for proposals which less than three months ago provoked strikes by more than 22,000 workers.

Union leaders, alarmed at the recent spate of plant closures and redundancies, see no hope of a quick improvement in the employment situation. Mr. Parkes forecast after a meeting of the CBI regional council in Birmingham that the level of redundancies was likely to continue for the next few months and might increase slightly.

Certain industries, such as motor components suppliers, were in deep trouble and for them it was "a question of survival".

Feature, Page 18

£ in New York

	July 7	Previous
Spot	\$2.2810-\$2.2808	\$2.2810-\$2.2808
1 month	1.59-1.64	1.55-1.60
3 months	3.28-3.32	3.25-3.27
12 months	8.25-8.10	8.10-8.30

Carter pledge of aid for car industry

BY DAVID SUCHAN IN DETROIT

PRESIDENT CARTER yesterday unveiled an aid package here for the hard pressed U.S. car industry that could total nearly \$1bn.

His announcement came immediately before his departure to Tokyo, for the memorial services for Mr. Masayoshi Ohira, the late Japanese Prime Minister. While there he will press again for a slowdown in the rising flow of Japanese cars to the U.S.

Mr. Carter, who has so far fought resolutely shy of direct import curbs, told cabinet members, industry and union leaders at a dawn meeting at Detroit Airport, he was asking for an accelerated ruling on a suit brought by the United Auto Workers.

The UAW petition alleges imports are unfairly damaging the U.S. industry and should be reduced by means of an increased tariff. Japan is taking nearly a quarter of the U.S. car market, pushing imports up to a 28.4 per cent share in May. Mr. Doug Fraser, the UAW president, welcomed Mr. Carter's move as a first step, as did the heads of General Motors, Ford and Chrysler. An import ruling by the U.S. International Trade Commission (ITC), a semi-independent panel, may now come as early as September.

Subsidies

Mr. Carter said yesterday his request for an accelerated ruling "does not prejudice what I may do" in rejecting or accepting the ITC findings. But if he fails badly behind in the election campaign, he might feel forced to reverse his free trade stand.

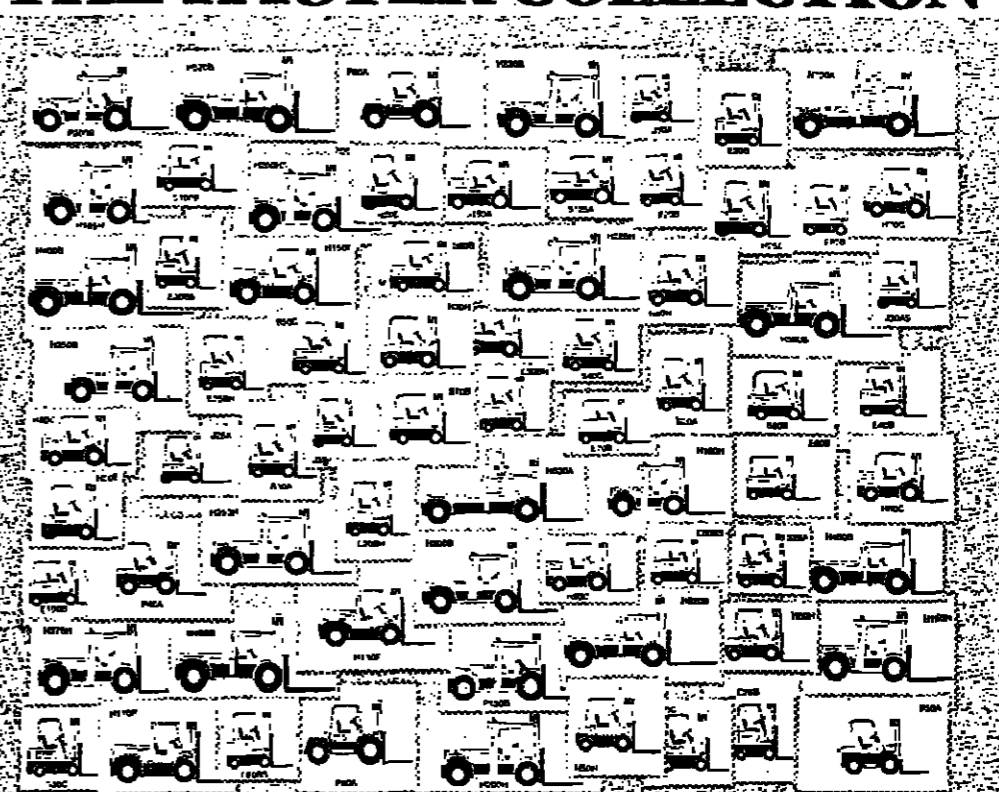
Trade protectionism would bring the most immediate relief to the U.S. car industry, but the Administration has so far rejected it as inflationary, since a high tariff would raise Japanese car prices here and force Americans to turn back to larger domestic models that use more petrol.

Mr. Carter pledged \$250m to \$450m in aid and loan guarantees for communities and dealers hit by the car recession, and promised to scrap a new clean air rule that would have cost the industry \$500m to meet.

In addition, Mr. William Miller, the Treasury Secretary, also present at the dawn airport conclave, has been directed to investigate the possibility of allowing the car industry to have a faster tax write off on obsolete plant so that it can retrofit more quickly to build

Chrysler the model, Page 4
Ford's best UK performance, Back Page

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CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS		FALLS	
Akroyd & Smithers 318	+ 20	Gold Fields SA	238 1/2 + 14
Beyobell 252	+ 8	Grosvetler	431 + 21
Blue Circle 374	+ 6	Poisoned	223 + 7
Brown and Jackson 140	+ 12	RTZ	472 + 15
Cater Ryder 345	+ 13		
Christies Intl 120	+ 8	Beecham	140 - 10
Clubb 232	+ 5	Carli Leisure	82 - 4
Ferranti 89	+ 24	Glaxo	234 - 6
Fundinvest Cap 254	+ 7	Harris Queensway	143 - 30
GKN 248	+ 10	Johnson Matthey	378 - 10
Hall (M) 516	+ 9	Toothill	30 - 3
Hambros 248	+ 10	Turner and Newall	122 - 5
Hay's Wharf 253	+ 6	Attok Oil	258 - 10
Hazwoods 242	+ 7	IC Gas	800 - 14
Laird Group 94	+ 9	LASMO	735 - 20
Lon. Midland Inds 122	+ 8	Cent. Pacific Min.	233 1/2 - 13
Moorgate Inv. 147	+ 13	Greenvale Mining	220 - 35
Waddington (J) 122	+ 5	Intl. Mining	116 - 20
Anglo Amer. Gold 240	+ 1	Semin. Explor.	64 - 10
De Beers Dft 420	+ 8	Southern Pacific	112 1/2 - 1

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EUROPEAN NEWS

HELP FOR INDUSTRY FROM OVERSEAS DEMAND

W. Germany shows slower growth

BY ROGER BOYES IN BONN

OVERSEAS DEMAND helped boost foreign orders to West German manufacturing industry in May, but the economy is still showing distinct signs of much slower growth.

The Federal Statistics Office said yesterday that orders picked up by 2 per cent in real terms in May compared with April. This was almost exclusively because of a 4.5 per cent real increase in overseas demand—largely the result of large capital goods orders from such countries as China.

Domestic orders, however, remained at the relatively low April level and in a two-month comparison, the April-May order figure is 5.5 per cent down in real terms from February-March.

Two other sets of figures reinforce the impression that

West Germany's economic slowdown is beginning. Statistics released yesterday show that production dropped by 2.5 per cent in April-May compared with February-March. While special factors, such as the Easter and Whitsun holidays, may have contributed to this, there are clear signs of lower output in the construction sector and in most parts of manufacturing industry.

The other major indicator was the remarkably high unemployment figure announced last week. For the first time in 20 years, unemployment actually rose in June, the number of jobless rising by 1.9 per cent from May to reach 781,400. The unemployment rate thus increased from 3.3 per cent to 3.4 per cent.

This figure—and indeed the

production and order statistics—is still remarkably good compared with other Western industrialised countries. The Economics Ministry believes that growth will reach 2.5 to 3 per cent this year, though down on last year's 4.5 per cent. It is still strong compared with most of the country's trading partners.

West Germany recorded a buoyant first quarter this year, partly carried along on the impetus of last year's healthy growth. But the first token of a slackening in the economy emerged in April when domestic orders to manufacturing industry fell by a dramatic 7 per cent.

This caused a ripple of concern among German industrialists, who, in the latest IFO Institute business confidence survey, gave one of their most

pessimistic outlooks for the year ahead. The drop in orders and production, both in April and May, however, is partly because of the distorting effects of panic buying in the first quarter. The Government's main worry is not so much the slowdown—which it expects to take root in the second half of the year—but prices. Although the price of imports has eased slightly over the past two months, the cost of living is still edging up and is hovering around 6 per cent on a year-on-year basis.

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The survey, gave one of their most

Bank halts loan to Spanish steelworks

By Tom Burns in Madrid

THE state-controlled Banco de Crédito Industrial (BCI) has refused further credit to the crisis-hit Nervacero steel works near Bilbao whose employees in recent months have staged spectacular demonstrations against redundancies.

A BCI board meeting last night decided to withhold a Ptas 479m (£2.86m) credit which has been earmarked for Nervacero since May when the bank loaned the company Ptas 200m to meet wage bills.

The bank says Nervacero has not met conditions for further credit. These include a thorough auditing and a viability plan in addition to the transfer to third parties of shares held by the Arburu family which built up the steelworks.

Some 600 of the almost 1,000 strong labour force staged a sit-in during a session of the Basque Parliament in Bilbao two weeks ago and held the autonomous Basque government and members of the assembly hostage for 12 hours.

Earlier this year, Nervacero workers occupied Bilbao city hall and stock exchange in a bid to force state action to salvage the company.

The BCI decision has come after meetings last week between Basque politicians, Sr. Luis Arburu, chairman of Nervacero, and members of the bank at the offices of Sr. Fernando Abril Martorell, the Spanish Deputy Prime Minister and economic overlord.

The bank apparently withstood strong pressure from the Government to extend the credits by implementing an article in its charter giving it special powers in grave circumstances. BCI officials said the board considered any further credits to Nervacero to be "imprudent" and that the risks involved in a rescue operation were too great.

Concern in the Madrid Government and in the Basque administration centres chiefly on the small and medium sized steel concerns that would be directly affected if Nervacero collapsed. Also the militancy of the Nervacero labour force has added strong tensions to the already unsettled Basque political situation.

France plans steps to stimulate industrial investment

BY ROBERT MAUTHNER IN PARIS

SELECTIVE MEASURES to stimulate industrial investment will be adopted by the French Government in the autumn as part of the 1981 draft budget, M. Raymond Barre, the Prime Minister said in a television interview.

But M. Barre, who warned the French people of hard times ahead, ruled out full-scale deflation as long as inflation and the balance of payments deficit had not been brought under control.

The Prime Minister, in a pugnacious mood, said his policies of economic and monetary restraint were the only possible answer to the country's present problems caused mainly by spiralling oil prices and the international economic situation.

Proposals by the left-wing opposition parties and the Gaullists for refloating the economy could only lead to disaster.

The measures to stimulate investment, which the Government hopes will provide the "motor" of the economy during the economic slack expected to last throughout most of next year, will be mainly fiscal.

They are likely to be similar to those adopted in April 1979, under which companies increasing their capital investment by at least 30 per cent could deduct 3 per cent from their taxable profits.

M. Barre warned the French

people that they would inevitably have to pay the price of the extra FFr 50bn (£5.2bn) which the country would have to find for its oil imports this year.

It would still be possible to guarantee the purchasing power of the French population as a whole in 1980, but that did not mean the disposable incomes of all categories would remain constant. Only the poorest workers could be certain of seeing the level of their real wages maintained.

M. Barre also announced that the supplementary levy of 1 per cent on social security contributions, imposed in July 1979 as a means of wiping out the system's huge deficit, would be abolished next February, some two months before the Presidential election.

Despite statistics published by the Labour Ministry, which show a steady increase in unemployment, its present level of nearly 1.5m, and OECD forecasts of a further sharp rise in the number of unemployed over the next 12 months, M. Barre said, the employment situation had "ceased to deteriorate."

Lay-offs and dismissals directly caused by the economic situation had fallen from 173,000 in May 1979 to 123,000 in May this year, and short-time working in 1979 and the first four months of 1980 was 40 per cent below the 1978 level.



M. Gaston Thorn: staying at the helm.

Thorn not likely to step down

By Walter Ellis in Strasbourg

THE LUXEMBOURG Foreign Minister, M. Gaston Thorn, has indicated he is likely to remain president of the EEC Council of Ministers before becoming the next president of the European Commission.

Speaking to the European Parliament yesterday he concentrated on energy and on the need for a greater EEC role in world affairs.

During his six months tenure of the Council presidency, Luxembourg would make these issues its joint top priorities, he said, and gave the strong impression that he would remain the man at the helm.

France does not favour him heading the Council while he is preparing to take over the presidency of a separate—and often rival—Community institution. But if M. Thorn has noted this, he has kept his thoughts to himself.

He could conceivably resign as Foreign Minister after his Commission job is formally announced in the Council on July 22, but it seems that Paris will be kept guessing until then.

Yesterday, M. Thorn said he would set out "personally" as soon as possible on the fact-finding mission to the Middle East agreed at the Community summit in Venice. As Luxembourg's Foreign Minister he had already visited Jordan and Iraq and was optimistic that the basis could be found for a European initiative.

M. Thorn also attached great importance to the North-South dialogue between rich and poor nations and hoped to be able to present a concerted European point of view on the subject to the United Nations General Assembly in New York next month.

Turning to energy, M. Thorn said it was essential for the EEC to do everything possible to reduce oil consumption while expanding the role of coal and nuclear power.

A constructive dialogue should be opened between the oil-producing nations and those countries whose development was being held up by the rising cost of energy. The presidency would spare no efforts in this direction.

M. Thorn added that negotiations with Spain and Portugal on their applications to join the EEC would not be interrupted.

President Giscard d'Estaing of France suggested recently that further Community enlargement should be postponed until the future of the common agricultural policy and budget financing had been settled by existing member states.

Cossiga backs Portugal on EEC accession

By Our Rome Correspondent

ITALY yesterday threw its weight behind the efforts of Portugal to secure full membership of the European Community by the planned date of 1983, despite the view of France that delay is necessary.

The Italian decision was made by the Italian Cabinet last week to Sr. Francesco Cossiga, Prime Minister, during talks with Sr. Francisco Cossiga, the Italian leader.

Italy is worried about the threat posed to its own agriculture by competing products from the EEC, and Portuguese agricultural policy before Spanish and Portuguese admission.

No country had yet proposed formally any slowdown in the accession process.

Italy also agreed yesterday to back Portugal's request for financial aid from Brussels in the run-up period to membership. The European Commission has offered 50m units of account in repay to a Portugal guess request for 425m.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$360.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

Recession looms as chemicals output falls

BY KEVIN DONE IN FRANKFURT

THE WEST GERMAN chemicals industry has taken a significant step towards recession. Production fell in April for the first time in more than 15 months and output has declined further in May and June.

The value of chemicals output was still rising strongly in the first four months of 1980, driven along by sharply increasing prices. But by May even this indicator of the health of one of the most important sectors of West German manufacturing industry, had started to fall, according to preliminary assess-

ments by the Chemical Industry Association (VCI).

Sales are estimated to have risen by some 12 per cent in value in the first half, but this is largely a result of the good performance achieved in the first three months. The industry is expected to decline for the rest of the year and, according to Dr. Karl Wamstler, president of the VCI, "1980 will clearly be a worse year for the chemicals industry than 1979."

The industry is still uncertain how long the recession will last, chiefly because it is unable to predict at what level customers

will choose to hold their stocks.

Last year the chemicals industry raised production by 5.3 per cent in real terms and sales rose by 15.6 per cent in value to DM 102.4bn (£24.7bn). This development held good in the first quarter, but the industry's fortunes met an unexpected sharp reversal in April.

Output in April fell by 2.7 per cent compared with the same month of 1979 after showing strong increases of 4.5 per cent in January-to-March. Production fell again in May by 1.2 per cent and the VCI expects the

sector to show little recovery in June.

Only the industry's manufacturing price index is still rising as companies struggle to recoup the extra costs incurred as a result of the steady rise in the price of oil-based feedstocks. About 80 per cent of West German chemicals production is based on oil products.

On average in the first five months chemicals manufacturers' prices rose by 13.1 per cent, and although there was some slowing down in April and May both months still had price rises of more than 10 per cent.

Dissident MP 'wooded' by Haughey

By Our Dublin Correspondent

MR. CHARLES HAUGHEY, the Irish Prime Minister, is believed to be seeking some kind of rapprochement with the dissident Donegal MP, Mr. Neil Blaney, as a way of improving his Government's fading electoral prospects.

Mr. Blaney is well known for republican views and has been threatening to form his own party after years of sitting as an independent. Its formation has already been postponed once and it is thought that Mr. Haughey is keen to prevent it.

Speculation has been heightened by the replacement of Mr. Sean Donlon, as Ireland's ambassador in Washington. Last night, Mr. Blaney welcomed the change. He had previously criticised Mr. Donlon for his stand against IRA-sympathisers in the U.S.

Mr. Blaney left Fianna Fail after the arms smuggling affair over which both he and Mr. Haughey stood trial and were acquitted. Recent opinion polls have shown the Government's popularity to be slipping and a Blaney party could take vital seats away from Fianna Fail in an election.

Mr. Blaney has denied that moving Mr. Donlon was part of any deal between himself and Mr. Haughey.

East German efficiency drive

BY LESLIE COLTIT IN BERLIN

EAST GERMANY has ordered industrial managers to take determined steps to reduce endemic worker absenteeism, "increase labour discipline," and lower the amount of overtime needed by workers who purport to go slow during normal hours. Labour productivity must also rise.

The instructions are contained in an urgency-worded directive issued by the East German Communist Party, Government and state trade union, before the economic plan for 1981 is worked out. East Germany has been unable to improve its labour productivity

and industrial efficiency as fast as prices rise for its energy and raw materials imported from the Soviet Union and the West.

Managers of inefficient industries are told they will not be able to submit comfortably low economic targets when they formulate their plan figures for 1981 in the next few weeks. They will have to use as a yardstick the figures submitted by the minority of efficient state companies.

The annual plan is worked out at the top by the State Planning Commission, but the Government has relayed its "minimal targets" to company managements and workers for a "plan discussion," starting next

week. The directive notes that the targets they set must always be higher than in the draft plan.

The party and government directive says producers must stop wasting energy and raw materials, and are to pay higher prices for both. Products of higher quality are to be more quickly produced and exported to the West. Industrial investment must be to yield results in the fastest possible time.

Industrial combines are told they must introduce more micro-electrics into their production. The shift illustrates the degree to which East German managers are faced with changing priorities set from above, for which they are then held responsible.

Soviet delegation visits Belgrade

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

A SOVIET delegation led by Mr. Vasili Kuznetsov, first vice-president of the presidium of the Supreme Soviet, arrived in Belgrade yesterday at the start of a six-day official visit which will stress the Soviet Union's desire for close relations with the new Yugoslav leadership.

The visit follows closely apparently fruitful discussions in Moscow last month on economic, scientific and technical co-operation between the two countries.

The Soviet Union is Yugo-

slavia's largest trade partner. It provides one-quarter of Yugoslavia's oil imports as well as gas, raw materials and engineering products. It is also Yugoslavia's largest export market.

At last month's talks the two sides agreed that trade over the term of the next five-year plan should rise to \$26bn (£10.8bn) compared with \$17bn over the current five-year plan which ends in December. The \$17bn figure is 30 per cent higher than the original target, due mainly to higher Soviet oil and gas prices and inflation.

Apart from trade the two sides agreed to step up co-

operation in nuclear and power engineering, mining, metallurgical and other engineering sectors, including joint work on large walking excavators for strip mining.

Economic co-operation having been discussed in Moscow, the visit is expected to concentrate on improving bilateral state and party relations and discussion of international issues. These are expected to include preparations for the forthcoming Madrid conference on European security and Soviet-Yugoslav differences over Afghanistan and South-East Asia in particular.

Blast shuts Turkey-Iraq oil pipeline

THE 590-mile Turkish-Iraqi pipeline was shut for three days after terrorists army units blew up one section, a senior Energy Ministry official said. Media reports from Ankara said it took 12 hours to extinguish the fire in the pipeline, built to carry 35m tonnes of Iraqi crude to the Turkish Mediterranean coast every year. The explosion occurred about 15 miles from the Iraqi border in the province of Mardin.

Fiscal package aims to teach Italy to live within its means

BY RUPERT CORNWELL IN ROME

"OF ALL the industrialised countries, Italy today is the one with the highest inflation, the strongest internal demand, the fastest rising cost of living and the greatest dependence on imported oil. For those reasons, it is the one most threatened by any loss in competitiveness. Yet it still retains huge potential, as the consistently fast economic growth of the last two years proves."

This paragraph in the economic strategy statement issued by the Italian Cabinet last week sums up perfectly the background to the deflationary package just approved by government. On paper at least, it is one of the most imposing economic therapies prescribed by an Italian administration in recent years and one of the most complicated and potentially far-reaching.

The aim is to shift 14,000bn (£2bn), or little less than 1.5 per cent of Gross Domestic Product, from consumption to industrial investment and exports.

In the face of overwhelming resistance from the trade union movement, earlier plans to call a partial halt to the *scala mobile* system of automatic wage indexation had to be abandoned. But many of the other provisions, if they are enforced, could bring Italy's economic structure yet closer to that of the major industrial powers to whose ranks she is irrevocably committed.

The clampdown on tax evasion, the streamlining of the country's Value Added Tax structure, and the impending changes to Italy's anachronistic banking legislation are but three pointers in this direction. The immediate problem was an overheated economy. Recession has spread from the U.S. to most of the European com-

munity but has hardly brushed Italy.

The economy will certainly slow down sharply after the summer holidays. Even so, as Mr. Filippo Maria Pandolfi, the Treasury Minister, pointed out last week, growth in 1980 is forecast to be 4 per cent in real terms. This is only slightly less than the 5 per cent achieved in 1979, and Italy should once again be the EEC's fastest expanding economy. It is the elegant demonstration of the country's extraordinary vitality, but in the last six months the cost has been heavy.

Since last autumn, Italy has drifted out of phase with the economic cycle of the West. Internal demand has remained curiously buoyant. Consumption is reckoned to be rising at a 5 per cent annual rate, compared with 0.8 per cent for the OECD countries as a whole.

But while domestic appetite for goods, and particularly imported ones, has continued unabated, demand abroad for Italian products has contracted. This is the result of both the slowdown in major export markets and the diminishing competitiveness of Italian industry. Soaring labour costs, driven by inflation, have reduced that competitiveness by 7 per cent last year and the trend has undoubtedly continued this year.

The trade deficit in the first five months of 1980 quintupled to 1,600bn, the balance of payments is back in the red and the lira has come under steadily increasing pressure. Something had to be done, and quickly.

The package lacks direct steps to boost productivity and reduce the impact of wage indexation. All the same, and to the government's credit, it is designed to tackle the structural shortcomings of the

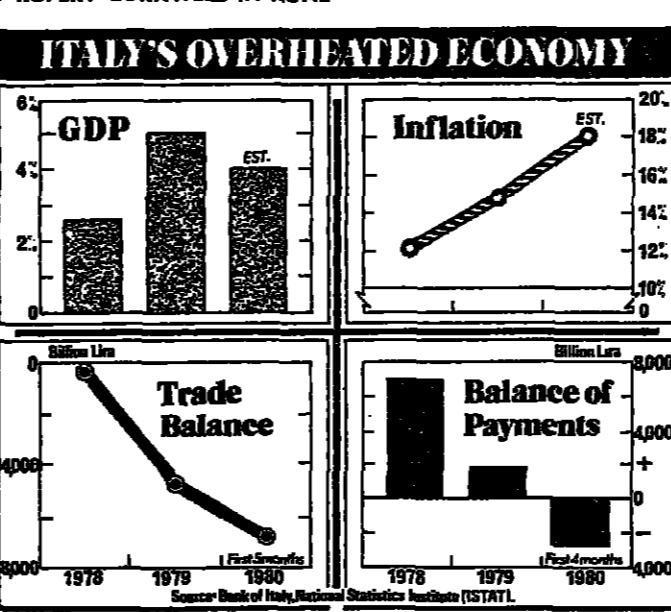


Sig. Filippo Maria Pandolfi

economy, rather than provide merely short term relief.

The pangs of a lira devaluation have been rejected. Of course, the currency's rapid slide down the European Monetary System grid disguises a devaluation. But despite the clamour from major exporting industries, from Fiat down, for direct devaluation as the simplest means of restoring competitiveness abroad, the government did not take the easy way.

The moment is not the most propitious for devaluation. It works best when a very weak dollar means import costs of dollar-denominated raw materials and oil can be held reasonably steady and when the Deutsche Mark and other hard European currencies are strong



enough to allow Italy a quick competitive gain against its most important trading rivals. But at present even West Germany is in deficit and these conditions do not obtain. A cheaper lira now would also reduce important foreign currency revenues from tourism.

The measures are aimed at the causes, not the symptoms of Italy's economic difficulties. The authorities intend to attack the chronic propensity of the Italian to consume more than the country can afford by raising first indirect taxes as VAT and petrol duty and, later, public-sector tariffs for such services as electricity and the telephone.

These last steps will allow the utilities both to carry out their massive planned investment and

pass on to consumers something like the true cost of the services they use.

As for outlays, are concerned, the government is taking over part of the social security payments companies now make for their employees, as a means of cutting labour costs and raising competitiveness.

More money will be channelled to the South, both directly and indirectly, through the recapitalisation of some of those state-run banks which predominantly operate there.

The net result of the whole package will be to increase government revenues by L.3,500bn and spending by L.3,500bn. The public sector borrowing requirement, one of the main causes of Italy's

endemic inflation, ought to drop to L.38,000bn for 1980 from the L.40,750bn forecast previously.

The most notable ingredient missing from this recipe for deflation is action to reduce the inflationary impact of the *scala mobile*. Nor is there anything more than the vaguest promise from the unions to promote higher industrial productivity.

That was the political price that Sig. Francesco Cossiga, the Prime Minister, had to pay to launch the package at all. Yet its 0.5 per cent levy on industrial salaries, to go towards a special solidarity fund for the South and sectors in trouble, is exceptional and will hurt more than the partial freeze on wage indexation proposed before. Acceptance by union leaders of the levy may yet earn them more criticism from the rank and file than if they had permitted adjustments in the sacrosanct *scala mobile*.

It is easy to be sceptical about the measures. Treatment has been prescribed for decades to help the depressed South, greatest of Italy's structural problems. Yet the results have been modest at best. Can the country's inadequate bureaucracy actually see to it that the money allotted is spent? Is there any guarantee that state aid in general will go to what is new and technologically promising and not be squandered, for social reasons, in trying to make unviable companies viable? The latest injection of L.300bn for the effectively bankrupt SIR chemicals concern is not an encouraging omen.

Yet, in other ways, things are changing. Tax evasion brought to light this year will yield an estimated L.2,500bn of extra

state revenue. Sig. Franco Reviglio, the Finance Minister, may have overstated matters by declaring that the new measures will "change the face of the country." But most Italians would admit that, however slowly, the avenues of evasion are being blocked.

Some of the latest moves have a typically extravagant quality. Compulsory receipts for VAT will be extended to furriers, jewellers and ladies' hairdressers, and the Finance Ministry is pressing for sealed cash registers to become the norm in every shop, again to prevent VAT dodging. Another sign of the times is the massive increase in duties on whisky and other spirits, of which Italians are ever more enthusiastic consumers. A bottle of Scotch whisky will now cost L.7,500 (£3.85) compared with the previous L.5,000 (£2.55). In its small way, this too is evidence of how Italy is edging towards northern European standards.

As Sig. Pandolfi admitted last week, the package is unlikely to be enough on its own. Much will depend on what further steps are taken for the medium term, and whether unions and employers can reach a more lasting understanding over the problem of industrial costs and productivity. Even more painful measures may be required in the autumn and, once the traditional summer advantages for the lira have passed, the currency may again come under pressure.

But time has been bought and, for once, not by drastic monetary measures forced on a country in desperation, but by a measured fiscal package on which a medium-term strategy can be built. For Italy, that is no mean achievement.

Heavy fighting spreads in Lebanon

By JUDAN HAJAZI IN BEIRUT

TWO DAYS of heavy fighting between rival Christian factions has left at least 75 dead and more than 100 wounded. The Phalange Party, the largest Christian paramilitary organisation, has gained virtual control of a considerable section of Lebanon's predominantly Christian areas, as fighting spread to the mountains and along the coast.

The scale of the clashes, the number of militia involved, and the large number of casualties were taken as evidence that what had happened constituted an all-out offensive by the Phalangists to suppress, or at least curtail, their main Christian rival, the National Liberal Party of Mr. Camille Chamoun, a former President.

The development, while strengthening the Phalangist position, has also splintered the Christian Maronite front, whose unity was its strength during the civil war four years ago against Palestinian guerrillas

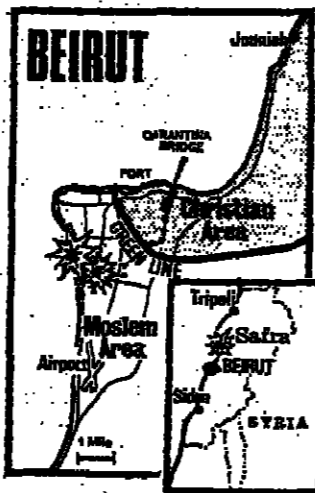
and Lebanese leftists and Muslims.

A feud is already raging between the Phalangists and Mr. Saïman Franjleh, another former President and prominent Maronite, since his eldest son, Tony, was murdered in a Phalangist attack in northern Lebanon two years ago.

The inter-rightist friction is mainly over influence. The Phalangists command the largest Christian militia, with the National Liberals running a weak second.

As many as 500 Phalangist gunmen took part in the offensive, occupying 11 offices of the rival party as well as two garisons where Mr. Chamoun's followers had stored their weapons.

The arms, including four Super Sherman tanks and many artillery pieces, were seized by the Phalangists. The clashes covered a 50 sq. mile area extending from east Beirut to Safra on the northern Mediterranean coast.



At Safra, the Phalangists stormed and set on fire the residence of Mr. Dany Chamoun, the former president's younger son and commander of the National Liberal Party militia. Dany's Australian-born wife and his 16-year-old daughter were abducted for several hours

before being rescued by the Red Cross.

Dany, who was not at home at the time, later accused the Phalangists of treachery and announced he was resigning his post in his father's party. His older brother, Dory, had already resigned as the party's general secretary after earlier clashes with the Phalangists.

Despite a ceasefire arranged by Mr. Camille Chamoun and Pierre Gemayel, the Phalange Party chief, fighting continued as the National Liberals held out in their few remaining positions.

In predominantly Moslem west Beirut, seven people were killed and 20 wounded in clashes between rival Leftist factions. The fighting was checked by the arrival of Syrian troops serving with the Arab League deterrent force.

Observers here described the violence as "a new kind of civil war." While in 1975 and 1976, Christians fought Moslems, now Christians are fighting Christians and Moslems are fighting Moslems.

Seven shot in Tehran for drug offences

By Patrick Cockburn in Tehran

SEVEN PEOPLE were publicly executed by firing squad in the heart of Tehran's "red light" district yesterday as part of a campaign against dealing in narcotics.

Since May 21, 294 Iranians have been executed, 176 of them for drug offences.

To celebrate his attack on the drug industry, Ayatollah Khomeini, the judge who is leading the campaign, yesterday held a public viewing of confiscated heroin, opium, morphine and marijuana in the mosque at Qasr prison.

Bags of opium and heroin were on display together with knives and sub-machine guns confiscated from smugglers. Outside the mosque a crowd of relatives of drug addicts called for more dealers to be executed.

There are thought to be 800,000 regular opium users in Iran of whom half a million are addicts. They draw their supplies from the 7,000 acres of land devoted to opium poppy production in 1979.

Though some heroin is produced in laboratories in the wilder Iranian provinces where government control is tenuous, most hard drugs probably come from Afghanistan or Pakistan.

Reducing the consumption of opium is particularly difficult in Iran since it is used as a medicine in rural areas where no medical facilities are available.

AP reports from Moscow: Mr. Sadeg Ghotbzadeh, Iran's Foreign Minister, has assured the Soviet Union that its Tehran embassy will be protected from hostile elements, according to the Soviet news agency, Tass.

In a despatch from Tehran, the agency said Mr. Ghotbzadeh had said that security bodies had been given necessary instructions to ensure the safety of the embassy.

The Russians said on Monday that elements hostile to the Soviet Union intended to carry out provocative actions "up to and including seizure of the embassy."

Mugabe told 'disown Nkala'

By OUR SALISBURY CORRESPONDENT

ZIMBABWE'S Patriotic Front, led by Mr. Joshua Nkomo, yesterday launched a bitter counter-attack on Mr. Enos Nkala, the country's Finance Minister, for his weekend threat to "crush" Mr. Nkomo. Meanwhile there were reports in Salisbury that Mr. Robert Mugabe, the Prime Minister, would move to disown Mr. Nkala's outburst.

The Nkomo front yesterday called on Mr. Mugabe to state where he stands. "We expect the Prime Minister to come out

and tell the nation whether Nkala's eccentric views represent the policy of ZANU-PF (the main party in the ruling coalition)."

Mr. Nkala implied in his weekend speech that unless the Soviet Union dropped its support for Mr. Nkomo, it would not be allowed to open an embassy in Zimbabwe.

The Nkomo front yesterday said that so long as Zimbabwe failed to open an embassy in Moscow, it could not claim to be a non-aligned state.

Reuter adds from Pretoria: South Africa has recalled all senior members of its diplomatic mission in Zimbabwe following the Salisbury Government's order to close the mission. Mr. P. Botha, South Africa's Foreign Minister, said yesterday. They had not been notified officially when the mission should close, but it was clear Zimbabwe did not want to continue diplomatic relations.

There were no plans for further meetings with Zimbabwe officials, he added.

Third World oil hunt proposed

By BRIJ KHANDARIA IN GENEVA

PLANS TO create a \$50m fund to prospect for oil in developing countries are moving ahead quickly, spurred by the realisation in most Western nations that finding new oil might be an easier way of reducing dependence on Arab suppliers than turning towards alternative energy sources such as nuclear power.

The United Nations Development Programme (UNDP), which finances most UN-sponsored aid programmes in the Third World, has suggested that the fund should be made up of voluntary contributions from Governments, reaching \$50m over three years.

The Organisation of Petro-

leum Exporting Countries (OPEC) supported the proposal at a session of the Programme's decision-making Governing Council, but offered to pay only \$6m.

Industrialised countries are keen to encourage oil exploration in developing countries at least 38 of which are known to have potentially large oil and gas reserves, but do not want to have to pay most of the bills.

The U.S. and the main Common Market countries think that final decisions should be taken only after a special session of the UN General Assembly in New York next August, which is expected to establish the main themes of North-South negotiations in

coming years. A special UN conference on energy questions is also due next year.

The proposed fund would pay for initial surveys in developing countries to assess whether further investments should be made by governments and private enterprises to explore and exploit any petroleum and natural gas fields.

Spending from the fund on petroleum surveys would be recovered at least partially from sales by Governments of survey data to national and private companies.

Third World needs for oil and gas exploration during the 1980s are estimated by the Programme at nearly \$2bn a year.

Beirut's banks adjust to insecurity

By OUR BEIRUT CORRESPONDENT

DESPITE INSTABILITY and national divisions, Lebanon's banks have progressed beyond imagination. Bank deposits have soared to an all-time peak of L£1,900 (£2,300m), compared to only L£100 (£120m) at the end of 1978 when the Lebanese civil war formally ended.

Seven new banks have been established in the past three years, bringing the number of local, mixed and foreign banks in Lebanon to 77. If Beirut is not the Middle East's main banking centre, as it was before the civil war, it is a major one.

The banks were shaken by the trauma of the national strife which lasted two whole years. A number of banks were looted. But activity at most banks was very much back as usual early in 1977.

If the more secure atmosphere had persisted beyond 1977, it is likely that recovery by now would have been complete and Beirut would have taken its place again as the Middle East's banking Mecca.

But conditions in the country began to deteriorate in February 1978, when large-scale clashes broke out between Syrian troops of the Arab League Deterrent Force and Christian militiamen. The breakdown in co-operation between the two groups, which

had helped end the civil war, plunged Lebanon once again into uncertainty.

A project to rebuild the business centre of Beirut, shattered during the factional fighting of 1975 and 1976, was short-circuited by the new violence.

But bankers soon found a way to adjust. To stimulate banking, the Government eased its regulations and banks opened new branches to cater for each political division in the capital. Banking activity was re-channelled to the suburbs and to such provincial towns as Jounieh and Tripoli in the north, Sidon in the south and Zahle in the east.

Above all, the Government lifted its 10-year moratorium on the issue of licences for new banks. This had been imposed after the collapse in 1968 of intra Bank.

Within two years of the end of the moratorium, seven licences had been granted by the Bank of Lebanon. Yet the central bank remained loyal to the conservative policy initiated by Elias Sarkis, who was governor of the bank before his election as the country's President in 1976. It imposed a minimum capital requirement of L£15m of which L£4.5m had to be deposited with the

Lebanese treasury as a guarantee for the bank's operation.

The Association of Bankers now claims that the country is "overbanked." Of the 77 banks operating 34 are Lebanese-owned, some with other Arab capital investment. Twenty-two banks have a foreign majority shareholding and the rest are of mixed Lebanese and foreign ownership. Foreign international banks have curtailed operations in Lebanon, but most continue to maintain offices.

Investment by the banks remains limited because of the uncertain security situation. The large deposits have created a flood of liquidity, but critics of the banks' credit policy, particularly the industrialists, say that most banks still shy away from long-term credit.

Lebanese industrialists are still trying to persuade banks to allow them to pay back old debts by instalment, and the government has backed them with a draft repayment plan which is now before parliament.

The majority of the banks see their main contribution to the economy in aiding the growing commercial activity. Several have begun to take certain risks, such as managing credit facilities for tourist projects. The Schroder banking group broke

ground in this field early this year when it managed a £10m facility for a ski resort in Lebanon's eastern mountains.

Another criticism of banking operations is that many banks have been engaged in real estate activity and foreign exchange dealings. Such operations, the critics say, have boosted inflation and weakened the value of the Lebanese pound against foreign currencies. This is despite the spiral rise in the value of Lebanese pound's gold cover which is running as high as 82 per cent.

A considerable part of private bank investment is in treasury bonds. This investment rose from the L£10m in 1976 to about L£500m now.

But the recurrence of factional clashes has played havoc with the reconstruction projects planned by the Board for Reconstruction and Development, which was set up in 1977. Only a trickle of the Arab reconstruction aid promised has been paid up as Arab governments have insisted on the return of stability first.

The Government-controlled Housing Bank grants loans to poorer Lebanese to build their own homes. Its contribution, however, is still tiny when set against the country's growing housing problem.

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AMERICAN NEWS

Chrysler the model for Detroit aid package

BY DAVID SUCHAN IN DETROIT

PRESIDENT Jimmy Carter yesterday coupled his new relief measures for the U.S. car industry with an announcement that he would soon set up a permanent tripartite car industry committee of representatives from Government, management and labour.

This acknowledges that the car industry needs a new framework in its long, hard haul back to financial health was spelled out yesterday by Mr. Doug Fraser, President of the Auto workers' union, who said Detroit was in for a prolonged and deep recession, and by Mr. Lee Iacocca, head of the recently-rescued Chrysler Corporation, the country's third largest car company.

Mr. Iacocca wryly noted that his company was already operating under such a system, with Government officials supervising it on the Chrysler Loan Guarantee Board, and Mr. Fraser sitting on the company's own

Board. Details of how the new committee might work have not been worked out, but it may extend the mechanism used in Chrysler's rescue in a much looser form to the rest of the industry.

But perceptions of the crisis differ from company to company. Mr. Philip Caldwell, head of Ford, has joined Mr. Fraser and Mr. Iacocca in calling for import curbs. By contrast, the better performance of General Motors and the smaller companies showed up yesterday in the more relaxed view of Mr. Thomas Murphy, chairman of GM, that the worst might now be over as interest rates had come down and the Federal Reserve Board lifted its credit curbs.

The measures taken by Mr. Carter yesterday include:

- The scrapping of a new clean air rule which by 1984 would have cost manufacturers \$500m to comply with. The Govern-

ment is to require fewer cars to be tested for emissions, saving time and expense for manufacturers.

- More flexibility in the implementation of standards limiting car workers' exposure to toxic lead and arsenic.
- A review of tighter fuel economy standards on cars and trucks built after 1983 to minimise the industry's capital cost.
- At least \$50m in aid to towns and companies hit by the car slump.
- Some \$200m to \$400m in guarantees for working capital loans for car dealers, and a smaller amount in direct loans to minority-owned car dealerships. Because minority dealers tend to own relatively new businesses, they are less likely to have strong financial reserves, and could otherwise go under in the current recession.
- A possible tax reduction for the car industry to help it re-tool to produce smaller cars.

Muskie attacks cut in foreign aid spending

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

MR. EDMUND MUSKIE, the U.S. Secretary of State, has sharply criticised his old colleagues in Congress for cutting back American foreign aid appropriations.

In a speech to the Foreign Policy Association in New York, he alleged that Congress was in effect "reducing the U.S. arsenal of influence" in the world. "We are not saving money. We are merely postponing and dramatically raising the cost that will one day come due," he said.

Mr. Muskie was particularly exercised by last week's Congressional action in decimating a \$520m foreign aid supplemental appropriation, one effect of which is to leave the U.S. Export-Import Bank temporarily short of funds for lending. But he also lamented what he saw as a pattern in foreign aid reduction.

"There is no lack of rhetoric," he noted, "calling for more American leadership in the world. Leadership must continue to provide. But if we are to continue to lead, then we must be prepared to pay the cost that leadership requires."

The thrust of Mr. Muskie's speech was more inherently political than that usually



Mr. Muskie

adopted by his predecessor, Mr. Cyrus Vance, who tended to be more reticent in equating power and influence with money. Mr. Muskie's language, however, reflects the political forum in which he has served much of his life.

When Congress reconvenes later this month after the Republican convention in Detroit, attempts will be made to restore some of the latest foreign aid cuts. Last week's reductions were hastily effected under the twin guns of budgetary ceilings and a Congressional recess.

Brazilian inflation rate increases to 99.2%

BY DIANA SMITH IN BRASILIA

BRAZILIAN INFLATION in the 12 months to the end of June was 99.2 per cent, according to official figures released yesterday, just short of the three-figure rate that had been widely expected.

The 99.2 per cent rate, up from 94.9 per cent in the 12 months to the end of May, is the highest annual inflation rate in the country's history. If prices continue to rise at the same rate as in the first half, 1980 inflation will be 80.8 per cent, compared with 77.9 per cent last year.

Mr. Ernan Galveas, the Finance Minister, yesterday admitted that although inflation might cool a little by September, there would be no major improvement this year. This puts paid to ambitious claims made in January that the Government would cut 1980 inflation back to 45 per cent.

Large cuts in public spending, credit restrictions and increased income tax rates have failed to ease inflation, and, according to Mr. Galveas, the measures taken to combat inflation may cool growth of gross domestic product this year to 6 per cent, compared with 6.5 per cent in 1979.

The authorities are reluctant to use the word "recession," a risky term in a country that must create 1.8m new jobs each year to cope with nearly 3 per cent annual population growth, but some industrial sectors are already reducing investment.

Mr. Galveas blamed the latest upturn in inflation on an up ward surge in farm produce prices caused by higher rates of interest paid by growers.

Bread and flour prices are also soaring, because the Government is phasing out a subsidy on wheat.

Senators reject fighter plan

By Our U.S. Editor

A MAJORITY of the members of the U.S. Senate has written to President Jimmy Carter urging him not to proceed with the sale to Saudi Arabia of extra equipment enhancing the attack capability of the F-15 fighter aircraft.

Mr. Carter, anxious to reassure the Saudi regime, is known to favour the sale of special fuel tanks, bomb racks and the like, as requested by the Saudis last month.

But the Israeli lobby in Washington, which bitterly and unsuccessfully fought the original sale of 60 F-15s to Saudi Arabia two years ago, has argued that the new equipment would render Israel potentially vulnerable to Saudi attack.

Congress does have the power to block the transaction and may feel that in an election year, it would be insensitive to alienate the American Jewish vote.

When Congress was debating the controversial arms sale package, which also included sales of fighters to Israel and Egypt, the Administration assured the legislature that it would not circumvent Congress over any transfer of follow-up equipment, which the Saudis had not, in any case, requested.

Canadian subsidy

THE CANADIAN Government is to devise a new programme to replace the special 20 per cent subsidy paid to the ship-building industry, Mr. Herb Gray, the Industry Minister, said yesterday. Victor Markie reports from Ottawa.

The special subsidy expired on July 1, and the subsidy level automatically reverted to 9 per cent.

Refugees returned

THE JAMAICAN Government has sent home 47 Haitian refugees who sailed for Miami, but drifted on to the Jamaican coast, Canute James reports from Kingston.

N-tests ordered

OPERATORS OF 24 nuclear power stations plants using boiler water reactors have been ordered to test their systems under simulated following difficulties at the Browns Ferry Unit 3 Alabama plant last month, according to the Nuclear Regulatory Commission. Reuter reports from Washington.

WORLD TRADE NEWS

UK groups 'must press for change in S. Africa'

By Mark Webster

BRITAIN'S Trade Minister yesterday condemned South Africa's apartheid system and urged British companies with interests in the Republic to press for peaceful change.

Mr. Cecil Parkinson's speech to the UK-South African Trade Association in London is in marked contrast to the Conservative Government's recent soft peddling on British companies paying wages below the Poverty Datum Line to black South African workers.

"The present political system based on apartheid is wrong-minded and will not survive," he said. "It is the duty of all those who care about South Africa and all its people to do what we can to help speed up the process of peaceful change."

He said British companies should comply "wholeheartedly, with the European Community's code of conduct which covers employment, remuneration, training and general working conditions for black South Africans."

More companies than ever have submitted reports on working conditions for their black workers for the second reporting period which ended in June, 1979, he said, and he hoped that recent publicity over poor pay would not deter companies from reporting fully for the third round.

But it is unlikely the statement will go far towards answering Britain's critics in black Africa, especially its biggest trading partner, Nigeria. Trade with both South Africa and Nigeria could top the £1bn mark this year, trade officials say.

The Department of Trade says it is coincidence that Mr. Parkinson's clarification of the Conservative Government's position comes while Mr. John Nott, the Secretary of State for Trade is in Nigeria where he yesterday spoke of a major campaign to publicise opportunities in the country.

South Africa's fast expanding economy has given a big boost for British exports and in the first five months of 1980 they rose 33 per cent to £265m. They were expected to reach more than £1bn by the end of the year compared with £713.5m in 1979.

British trade with Nigeria has also increased substantially from £636m last year when the country's economy was in recession and is expected to top £1bn this year as it did in 1977 and 1978.

Marconi wins £40m China order

BY COLINA MACDOUGALL

MARCONI AVIONICS will sell £40m in electronic equipment to China on the basis of a contract just signed with the China National Aero Technology Import and Export Corporation.

The contract is the first substantial military deal between China and a Western country in recent years and is indicative of China's intention to update its armed forces with Western equipment. British Aerospace Dynamics is also in discussion with the Chinese over the sale of weapons systems and subsystems.

While the type of equipment covered in the Marconi deal has not been officially revealed, it is believed to be intended to modernise the combat capability of China's ageing force of

Soviet-made MIG-19 and MIG-21 fighter aircraft. This could include items such as head-up displays, navigation attack systems or computerised power controls.

The contract, to run over a five-year period, calls for delivery of the equipment and includes the establishment of a licensed manufacturer in China. The company, having previously sold the technology for fuel flow measurement production under licence.

The deal has taken 15 months to negotiate. Initially the company made contact with the Chinese during the 1978 mission to this country of Mr. Lu Dong, Minister of the Third Ministry of Machine Building, which has responsibility for the aircraft industry. Marconi was invited to send a team to China in March, 1979.

The Marconi Avionics contract was signed on the Chinese side by Mr. Sun Zhaoqing, who is head of the new London office of the China Aerotechnology Import and Export Corporation. The opening of this office was agreed by Mr. Frances Pym, British Defence Secretary, during his visit to China last March.

British Aerospace Dynamics is currently holding talks with the Chinese over air to air missiles and components. While the size of an eventual contract would depend on what is finally included, it too could run into tens of millions of pounds. Details have yet to be discussed, but a contract could include components and production under licence.

Citroen may build Canton factory

BY TERRY DODSWORTH IN PARIS

CITROEN, THE French car group, has signed a letter of intent with the Chinese authorities for the construction of an assembly plant in the Canton region capable of producing 2,000 vehicles a year.

The French company has been talking about the project with the Chinese for some time. It emphasised yesterday that no conclusion has been reached and that negotiations are con-

tinuing. There are tentative hopes, however, that a final agreement could be reached by the beginning of next year, with production of Citroen's big CX and middle range GSA models building up gradually after that.

At the same time, a much more far reaching project for a 150,000-a-year vehicle plant is being discussed with the Chinese. Citroen says that these

negotiations are at a very early stage at the moment. But the Chinese have expressed interest in going into this large-scale type of production in the Shanghai region.

Other Western motor companies are also believed to be talking along similar lines with the Chinese, who have so far been mainly reliant on Russian imports to support their motor industry.

Cleveland makes causeway bid

FINANCIAL TIMES REPORTER

Cleveland Bridge and Engineering, a Trafalgar House company, is bidding for the Saudi-Bahrain causeway project. The company said yesterday that it had tendered in conjunction with Bos Kalls of The Netherlands.

This means that it is now the only British company among the 15 international groups bidding for the project. It was originally understood that Balfour Beatty, heading a

consortium involving four Japanese companies, was still in the bidding, but it had withdrawn.

Frings adds from Bahrain: Bid prices for the 25 kilometre causeway range from \$600m to \$1bn, according to a Bahrain official. He said the bulk tenders were "within the estimates" drawn up by Saudi Danish consultants.

It is not yet known how many contractors have submitted alternative designs in reinforced concrete for the five bridges, which make up 12 kilometres of the total length. The consultants' designs are in steel. The 130-metre clear span over the main navigation channel provides for a height of 28.5 metres.

GATT reviews textiles accord

BY BRIJ KHANDARIA IN GENEVA

THE TEXTILES committee of the General Agreement on Tariffs and Trade (GATT) began talks yesterday to examine the impact of the multilateral arrangement (MFA) on textile trade flows and the structure of the textiles sector in both industrial and developing countries. These talks should provide the first official indications of attitudes towards renewal of the MFA which expires

at the end of next year.

The committee will discuss the conclusions of a study commissioned by it on the insistence of the developing countries. These countries have argued that talks on renewal of the MFA could not begin without more precise information on how the special privileges given to the EEC under the current MFA have influenced the textile trade.

Developing countries argue that Western textile industries have improved their productivity sufficiently to counter competition from imports. They add that increasing unemployment in Western textiles industries stems from technological innovation rather than cheaper imports. There is therefore no further need to permit "reasonable departures" in the renewed MFA.

British banks in forefront of Mexico financing

BY LORNE BARLING

WITH EXPORT markets almost everywhere sliding into recession, Mexico is one of the few bright spots, with a capital goods sector increasing by around 12 per cent a year. At the same time, Mexican companies are moving away from their traditional sources of finance—American banks—and seeking more loans in Europe.

But competition, notably from countries which are importing Mexican oil, such as Japan, Spain and France, is extremely fierce, with consequent problems for British contractors whose tenders are often 15 to 20 per cent above competitors' as a result of sterling's strength.

There are also suspicions that Mexican oil buyers are in desperation, prepared to subsidise exports. Here Britain also suffers, since it is unable to join other nations in taking Mexican oil in exchange for supplying technology.

Nevertheless, British banks have been in the forefront in arranging finance for Mexico. Grindlay Brants having put together a \$75m (£33m) loan late last year, supported by the Bank of America and Deutsche Bank, for Grupo Industrial Alfa, one of Mexico's fastest growing private sector groups.

Expansions planned by groups such as Alfa, Vitro and Cydsa, which are involved in steel, petrochemicals, fibres, glass, food and a wide range of consumer goods require far larger credit than those traditionally supplied by nearby U.S. banks. And European banks are now winning an increasing share of this business.

Altogether, UK banks have signed buyer credit agreements worth around \$100m in the past few months, including a \$50m

loan arranged by Barings for the European Banking Corporation and the Midland Bank for British goods and services, for five HS-125 executive jets a \$30m credit provided by for Sarsa.

Lloyds Bank International for Hylsa, another Alfa company, DAVY has formed a joint venture with Somex, a leading Mexican banking institution, to participate in the rapidly increasing market in Mexico for the engineering and construction of process plants. The joint venture is between Fomento Industrial Somex (FISOMEX), the

industrial arm of Somex, and Davy McKee, the international engineering and construction arm of Davy.

Davy McKee has already built a number of industrial projects in Mexico and expects the new company Somex-Davy to lead to increasing Mexican participation.

is expected to receive a \$50m buyer credit through a London clearing bank for steel manufacturing equipment, and a further loan, connected with the assembly of diesel engines in Mexico, is in the pipeline.

the supply of knocked-down Massey-Ferguson tractors, Agromax, and Alfa subsidiary, and two loans of \$11.6m and \$9.2m (the former covered by the Export Credits Guarantee Department (ECGD) provided

Although Mexico may thus appear to be something of a bankers' paradise, with gross public sector borrowing requirements alone projected at around \$8bn, it is expected that the Government has been punishingly low as a result of international competition.

British institutional investors have also been wooed recently as a potential source of capital for Mexico, which intends to create as many as 750,000 jobs a year through industrial investment based on foreign borrowing.

How Tiffany's made \$5m out of thin air

BY DAVID LASCELLES IN NEW YORK

TIFFANY'S, world famous for its luxury goods, made a lot of money last year selling something less substantial—thin air.

For \$5m, the New York store parted with what are known as the "air rights" over its 10-storey building in Fifth Avenue to a property developer who wanted to build a skyscraper on the site next door. What it did, quite simply, was transfer to the adjacent property the air space that it was entitled to build into under the New York zoning laws, a practice colourfully described as "pushing the bump along the rug."

The deal was perfectly legal and proper. It delighted everyone concerned. Tiffany capitalised on an asset it had no intention of using, the developer got to build a bigger skyscraper, and the city got a bigger building to tax. But it also added to fears outside the property development business that piggyback building is getting out of hand.

The practice of transferring air rights is not altogether new. It started in America's denser towns before the last war, and even traces its origins back to English law. But the recent property boom in Manhattan has produced such intense competition for building space that air rights have become big business. All major estate

agents and property developers have special departments which do little but search out potential deals. In the last couple of years, there have been about a dozen multi-million dollar air rights trades, and countless smaller ones.

As the Tiffany deal was being negotiated, the Museum of Modern Art a couple of blocks away in 53rd Street sold its air rights to a development company for \$17m, believed to be the largest air rights deal yet. The museum's height will thus remain a modest half-dozen storeys, but next door there will soon be a 44-storey apartment block.

Grand Central Station sold its air rights to Philip Morris, the large cigarettes and drinks company, which wanted to build a new skyscraper headquarters and city got a bigger building to tax. But it also added to fears outside the property development business that piggyback building is getting out of hand.

The practice of transferring air rights is not altogether new. It started in America's denser towns before the last war, and even traces its origins back to English law. But the recent property boom in Manhattan has produced such intense competition for building space that air rights have become big business. All major estate

One is principally a ploy by city authorities to save old buildings by giving them a chance to exploit their authorised air space. These buildings tend to be small, and uneconomic, but prey to redevelopment because of their prime town-centre sites.

An example was the Philip Morris deal. Grand Central is a fine old building, but its owners, the bankrupt Penn Central Railroad, wanted to do a "Euston" and replace it with a multi-storey office block. The environmentalists rose up in arms; in the end, the city squashed the redevelopment plan, but allowed the station to sell its air rights.

The deal was unusual in that it involved a transfer across the street, not just to an adjacent site. There was little choice. Grand Central's immediate neighbours had already been redeveloped.

The other kind of transfer permits a developer to acquire a lease on an adjacent small building, lump the two lots together, and get them rezoned as one, with vastly increased air rights. This is the more common deal, and also the one which upsets people because it brings virtually no benefit to the community: only huge profits to property owners.

The value of air rights depends on the kind of deal involved. But they can be highly lucrative, as a closer look at the Tiffany deal shows.

Tiffany's neighbour was the ailing Bonwit Teller department store which was finally closed down last summer. The site was sold to Mr. Donald Trump, a young and aggressive building magnate who had clearly done his homework on air rights. Using Bonwit Teller's air rights alone, Mr. Trump could only have put up 318,000 sq ft of space. But by buying Tiffany's air rights, and the smaller space above another adjacent building, he was able to build 636,474 sq ft, worth \$100m.

In other words, he doubled the property's potential with an outlay of little over \$5m, probably the best land deal New York has seen for a long time.

Because Tiffany's is now prevented from ever raising its height, Mr. Trump was able to put windows in the wall overlooking the Tiffany lot and Central Park, raising the tower's rentable value.

But the result is an incongruous row of buildings along a stretch of Fifth Avenue once noted for its human dimensions and gracious character.

"The urban design consequences can be troublesome. I'm very concerned about Fifth

Avenue and the Upper East Side," said Mr. John Costonis, a law professor at New York University and who wrote a book about transfers of development rights called "Space Adrift". Mr. Costonis believes that while transfers help to save old buildings, they are liable to abuse.

"There is virtually no countervailing force," he said. Most transfers of air rights occur in business sections of Manhattan where there are no local residents to "scream and yell" about the loss of light and air from the streets.

He has proposed a solution which would force sellers of air rights to distribute them over a number of buildings so that no single structure can increase its size by more than, say, 10 per cent.

One reason why trading in air rights has flourished is that the city authorities have encouraged it. It keeps property development alive and helps raise tax income. It also makes it easier for companies to build their huge corporate headquarters in New York, which keeps jobs in the city.

But there have been signs of change recently. The counsel to the city's Department of Planning, Mr. Norman Marcus, confirmed that

the city was becoming more cautious about approving transfers other than those which preserve landmarks, mainly because they result in very tall structures which cut off light



and air. He will soon publish a report which will recommend tighter controls, and possibly limits on the distribution of air rights, along the lines put forward by Mr. Costonis.

But it is an irony, in view of Mexico's oil wealth, that the country is still classed as "poor" under the OECD export finance classification. This means that it qualified for credits at 7 1/2 per cent on business running over less than five years, and 7 1/2 per cent on more than five years. From July 1 however, these both increased by 1 per cent under an internationally agreed rise in rates.

Nevertheless, this is still regarded as cheap money. Even lower rates are sometimes available when export credit organisations have to match those offered by countries such as France on the credit-mixes (aid plus credit) formula.

There is therefore some pressure now for a re-evaluation of the Government's borrowing necessary for industrial development has of necessity softened recently, since the "withholding tax," levied until recently at a rate of 21 per cent on commercial loans for buyer credit, has now effectively been lowered to 10 per cent.

There are also suggestions that the tax may be dropped completely before too long, removing considerable tax problems. It would be held in abeyance to be imposed again if borrowing increased too fast.

Although private industry in Mexico is the most dynamic sector of the economy, state corporations, such as Pemex and the steel company, Sidermax, have generated steady demand for finance in recent years by placing fairly regular orders in the UK. But competition is now tougher than ever.

Pressure on Haughey mounts after killings

BY STEWART DALRY

MR. CHARLES HAUGHEY, Prime Minister of the Irish Republic, is under mounting pressure to intensify the measures against the killing of two Garda (police) men by bank-robbers in Roscommon, mid-Ireland.

The gunmen are believed to be members of the banned Irish National Liberation Army (INLA), the smaller of the two main republican terrorist organisations. The larger group, the Provisional IRA, issued a statement denying responsibility.

A man arrested after the shooting is believed to be a member of the Irish Republican Socialist Party (IRSP), INLA's political wing.

Bank robberies are the main visible activity of terrorist groups in the Republic. Last

year, nearly £2.5m sterling was stolen in nearly 250 armed robberies in the Republic. In Northern Ireland, by contrast, there were 434 robberies, which brought in a haul of £588,000. Irish banks are highly liquid, in contrast to British ones.

Money from robberies is the main source of republican groups' funding. A British Army intelligence document which fell into Provisional IRA hands last year put money from bank robberies as amounting to about three quarters of all Provisional IRA funds.

The crime wave has reached unprecedented proportions in the Republic. The robberies started on a large scale early in 1977, as money from republican syndicates in the U.S. and the traditional source of funding, began to fall off because of an intensive propaganda campaign

by British and Irish Governments.

Today's Cabinet meeting is likely to be dominated by the murders. Mr. Gerry Collins, Justice Minister, is likely to report on what more can be done to protect the banks. Large pay-rolls are receiving Army escorts already. Mr. Haughey might be pressured to introduce new security measures.

Mr. Haughey continued the former security measures agreed by his predecessor, Mr. Jack Lynch, in the wake of the murder of Lord Mountbatten last August.

These new security measures, which Mr. Lynch agreed with Mrs. Thatcher, have never been fully revealed. But it is thought they include limited overfly rights by British Army helicopters along the border, and more patrols by both the Irish Army and police on roads leading to the border.

If nothing else, the murders will take the steam out of moves by republican supporters to abolish Ireland's special criminal courts. These courts have no juries. One special feature of them is that a man can be convicted of being a member of a proscribed organisation on the word of a senior police officer.

Southwark to utilise heat waste

A PLAN to provide homes in Southwark with central heating from waste power station heat is to be presented to the Energy Department soon, writes Maurice Samuelson.

The London borough is keen to become the first in Britain to provide district heating from combined heat and power. The Government has agreed to order its own preliminary studies of six potential sites. Southwark hopes to be one of them.

The plan was adopted this week by the borough's housing committee. It mentions the power stations at Deptford and Bankside on the Thames as possible places from which steam would be piped for home and hot-water heating.

Deptford, an old coal-burning station, would be equipped with two 250 MW units. Bankside, which burns oil, is out of use at present because of oil's high price.

The estimated cost of the scheme is £602m. Half the cost would be for new power station boilers and turbines, the rest for street mains and domestic installations.

The report on the scheme is nearly 200 pages long. It was commissioned from Orchard Partners, whose consulting engineer, Mr. William Orchard, is a leading proponent of combined heat and power.

Maurice Samuelson sums up the accelerating search for cheaper power

Major switch from oil

SEVERAL large oil fired power stations in England and Wales have been closed or are running at lower levels than the minimum once thought necessary to avoid breakdowns.

This reflects the massive switch to coal and nuclear power caused by the ever-rising cost of oil. According to Energy Department statistics published last Friday, the amount of oil used in power stations by the Central Electricity Generating Board between February and April was 43.6 per cent below the level of the corresponding three months of last year.

The difference over the whole year is likely to be less dramatic but nevertheless the trend is unmistakable. Last year's minimum oil burn by the CEBG was, at 5 1/2m tonnes, half what it was in the early 1970s, and now represents less than 10 per cent of its overall fuel consumption.

While nuclear power stations, the cheapest to run, provide the base load, coal carries the main burden and oil is now used mainly for marginal and peak demand.

Of 18 main oil power stations, with a total capacity of 9,000 megawatts, four have been idle for a year, and others have, in CEBG parlance, been "partly cold."

Even the biggest and most efficient oil plants, once designed to carry the base load, are now too costly to operate round the clock. They are the

2,000 MW plants at Fawley, near Southampton, and Pembroke, South Wales.

Since the beginning of the year, three of the four 500 MW generating units at both these stations have been closed at night, and on several occasions, the entire plant has been shut until early morning.

The 480 MW plant at Marchwood, a few miles north of Fawley, is at present half closed. These measures have been caused not only by the Government instruction to switch from oil to coal, but also by the economic recession which has cut demand for electricity.

Last year's forecast of CEBG sales proved to be about 3 per cent too ambitious, representing a surplus of up to 3m tonnes of coal equivalent. Demand forecasts for the coming year are expected to point to a further fall.

This presents severe technical difficulties to the operators of the national grid, who are like housewives trying to turn the gas as low as possible without letting it go out. For example, the closure of oil burning plant in the south east has meant that much of the region's power has had to come across country on four arterial 400 kilovolt lines from coal burning plant in South Yorkshire and the Trent Valley.

This places greater reliance on these lines especially in summer when the heat can

make them expand and sag dangerously. As a result, there has been a marked increase in the risk to the security of supplies.

There are also potential risks to the oil burning power stations themselves when they are run at a low operating level. The all-night closures of Fawley and Pembroke power stations have to be handled with extreme care. If their huge generator rotors are allowed to cool too quickly, they can foul the generator's casing.

There are also risks in re-heating the plant in the morning. Although smaller power stations have been operated like this for years, such a practice is virtually unprecedented among the large plants, either here or abroad, and the industry is learning as it goes along.

The squeeze on oil has prompted speculation as to whether eventually the CEBG could dispense with it completely, and rely only on coal, nuclear or hydro power.

Although this would make economic sense if coal remained markedly cheaper and more plentiful than oil, it is excluded on technical grounds.

Even so, the future of much of the CEBG's oil burning plant remains obscure. In recent years, the Board has been scrapping old plant and investing in new plant,

Wimpey scheme for York site

A £10m DEVELOPMENT of a historic site in the centre of York is to be undertaken by Wimpey Property Holdings.

Wimpey's redevelopment scheme for the Coppergate site will aim to blend the city's old streets with new buildings comprising some 140,000 sq ft of shopping area, including a departmental store, a car park, 25 flats, a restaurant and a museum.

Architects for the scheme are Chapman Taylor Partners, consultant surveyors are London-based Edward Erdman and Co. and A. Stansfield and Son of York.

Dutch turbine order goes to Rolls-Royce

BY MICHAEL DONNE, AERO CORRESPONDENT

ROLLS-ROYCE'S industrial and marine division, has won an order to supply two Olympus-powered gas-turbine generating sets to the energy authorities in The Hague, Holland.

This is part of a £10m contract awarded to the Dutch company, Stork Boilers, by Gemeentelijk Energiebedrijf Jan. Haas.

The Rolls-Royce share of the deal brings to £250m the outstanding order book of the industrial and marine division for gas-turbines in industrial and marine roles.

Rolls-Royce has also unveiled a £2m private venture project which is helping to win further export orders.

This is a 30,000-kilowatt SK-30 Olympus packaged gas-turbine power station, constructed at Birmingham's Hives Hall as a shop-window for the world's electrical authorities. In addition, it is acting as a demonstration unit for Rolls-Royce engineers.

Orders for the new SK-30 design have already been won from South Africa, Saudi Arabia, Egypt, Holland and the North Sea oil and gas industry. These are worth a total of £38m for 19 units.

The Thai cabinet has approved an order by Thai Airways for a fourth Boeing 737, worth \$12.7m. Of this, 15 per cent will come from Thai Airways' own funds and the rest from the U.S. Export Import Bank.

General Connectors Corporation of Burbank, California, the U.S.-based aerospace subsidiary of Bestobell, is to supply specialised duct assemblies for the Boeing 767 aircraft worth \$1.1m.

Increases in house prices continue to slow

BY MICHAEL CASSELL

HOUSE PRICES continued to slow down in the second quarter of 1980, according to the Nationwide Building Society.

Nationwide says average prices rose by only 3 per cent between April and the end of June, against 4 per cent in the previous three months.

There were considerable regional differences in the rate of increases recorded, the biggest rises (6 per cent) being in the east Midlands and east Anglia, and the lowest (2 per cent) in the south-east.

The rate of increase in house prices is now running at about 1 per cent a month, says the society.

Mr. Leonard Williams, chief general manager of Nationwide, said that average earnings were now rising faster than house prices. In the first half of this year the increase in average earnings was estimated at 11 per cent compared with a 7 1/2 per cent rise in average house prices.

As a result, the ratio of average house prices to average

earnings has fallen from a peak of 3.75 times average earnings in the last quarter of 1979 to 3.6 now.

Mr. Williams also said, however, that average house prices were still well above their long-term average of about 3.3 times average earnings, and further readjustment—similar to that in 1974-77 after the 1971-73 house price boom—would require a considerable period in which house prices rose more slowly than earnings.

Mr. Williams said Nationwide had increased mortgage lending in the second quarter to £90m a month, so prospects for home buyers were beginning to improve.

As well as lower house prices in relation to earnings, last week's reduction in MLR was the first small step towards more mortgages and eventually lower mortgage rates. Further reductions in competing rates would be necessary, he emphasised, before societies could consider reducing their own rates.

Local authority spending 'wildly out of control'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

LOCAL AUTHORITY spending is wildly out of control and the central Government can do little under existing legislation to prevent overspending, stock-brokers Hoare Govett argue in their latest economic review.

The brokers estimate that on present calculations, before the full implementation of the teachers' pay awards, local authorities are set to overspend in 1980-81 by £265m, while cash balances are projected to drop by £289m.

The weaknesses inherent in the cash limits system are blamed for this position.

In another new brokers' review, James Capel and Co say that the Government's reduction in MLR is almost as illogical as last week's reduction in MLR. Lending Rate suggests the Government has strayed temporarily from its stated policy of not cutting interest

rates until money supply growth is within the target range, to a policy of intuitive optimism.

James Capel maintain that the cut in MLR should not seriously deflect the authorities from achieving their targets. Consequently, the firm does not interpret the move as a "U-turn" but as more of an "S-bend" in that the Government's ultimate objectives remain unchanged.

An even more bullish view has been put forward by brokers Panmure Gordon. The firm says that in the current recessionary phase a 16 per cent MLR is almost as illogical as 17 per cent. "We expect a further one point cut to 15 per cent by the end of July, though after that there will be a pause until October."

Electrical retailers make plea on origin marking

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

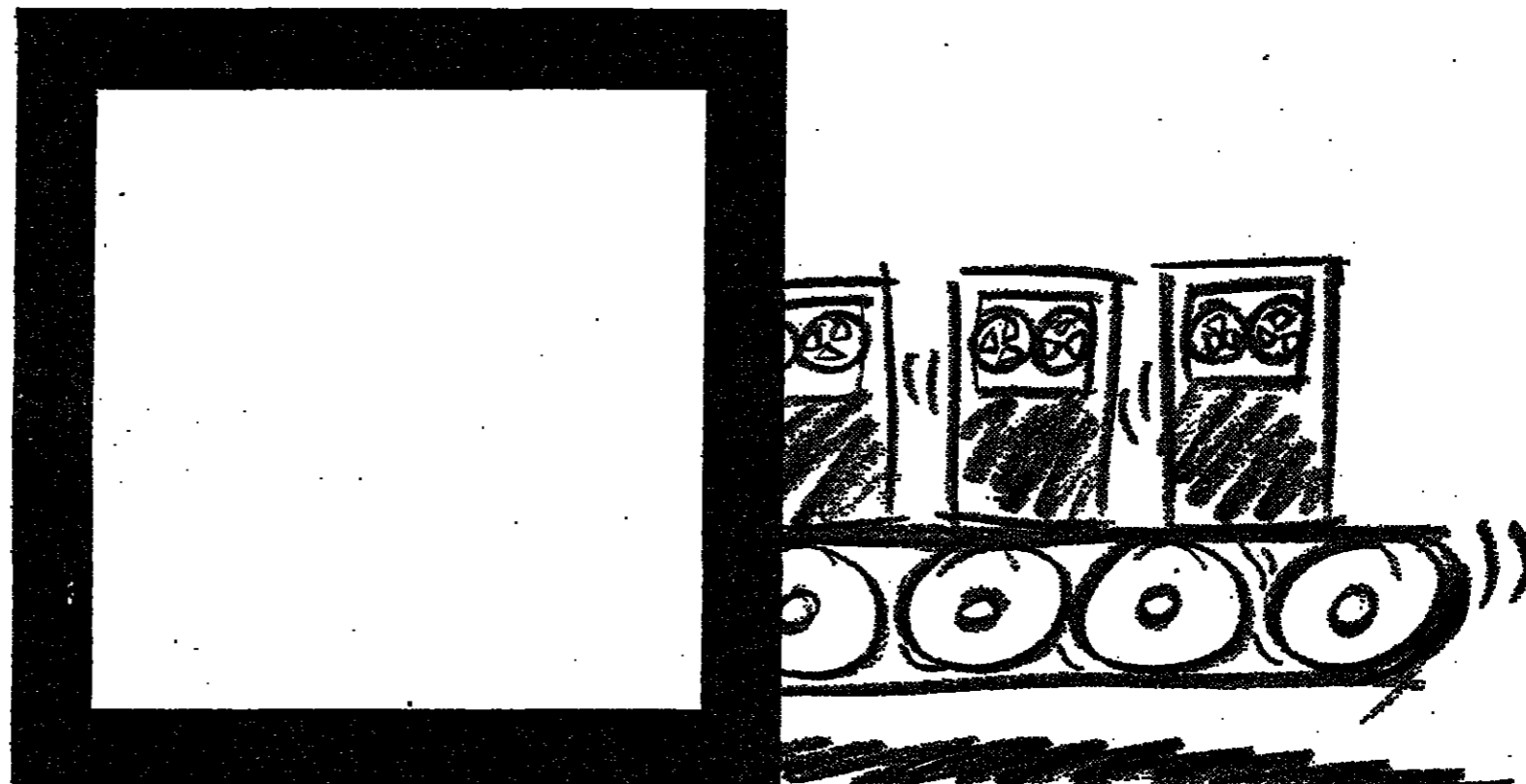
ELECTRICAL appliance retailers have told the Government that there is no demand from consumers for the country of origin to be marked on electrical goods.

The Radio, Electrical and Television Retailers' Association was commenting on Department of Trade proposals for making the marking of the country of origin compulsory. The proposals, to be published this

autumn, will also apply to other consumer goods, including clothes, textiles, footwear, and cutlery.

The association says the proposal for marking goods at the point of retail sale is "not acceptable." Apart from the time and cost involved, "it would not be fair or practical to expect retailers to be responsible for placing information of this nature on products supplied to them."

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UK NEWS

Ministers face new pressure on top pay

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MINISTERS are likely to find themselves under pressure during the coming months to raise salaries of the chairman and board members of some nationalised industries following Monday's announcement that these senior public servants are no longer to be covered by the Boyle Top Salaries Review Body.

In theory the new levels of salaries announced by the Prime Minister are intended to last at least for a year, and any industry which tries to raise all its top salaries in the near future will receive short shrift in Whitehall.

But there are a number of key vacancies now open, or which will need to be filled soon, and the Government has been having difficulties finding candidates at the existing pay levels. The new increases, roughly half the amounts proposed by the review body, will do little to solve the problem.

Large enough

The main chairmanship vacant is at British Telecom, soon to be moved off from the Post Office. Although it has not been fixed, this industry is likely to be rated within the Boyle system alongside British Steel and the existing combined Post Office whose chairman are on £53,000 following Monday's announcement.

It remains to be seen whether this proves large enough or whether, as is widely expected, a salary of £80,000 or more eventually has to be offered to fill this key public sector post.

A new chairman is also needed by the end of the year

to succeed Mr. Ross Stainton at British Airways, where the new salary is £48,000. Next year Sir Peter Parker is due to be replaced — or replaced — as chairman of British Rail which now carries the same salary. Sir John Hill, who now earns slightly less, is also expected to retire early next year from the chairmanship of the UK Atomic Energy Authority.

These appointments will test the willingness of the Government to pay the market rate for chairman in conventional salary terms instead of inventing special arrangements such as the "transfer fee" of approaching £2m agreed to attract Mr. Ian MacGregor to become chairman of the British Steel Corporation.

Also, the need to recruit specialist board members in some industries — the Post Office for example needs an extra finance director — will mean that rates higher than those announced on Monday will sometimes have to be paid. This may well lead to a general review of individual industries' board salary levels once a high rate is fixed for a new appointment.

How the new system will work in detail is not yet known because Ministers only finally decided to take the industries out of the Boyle arena a few days ago.

Senior civil servants involved have held only tentative talks among themselves, and the Nationalised Industries Chairmen's Group will consider the issue at a routine meeting on Friday.

Eventually, following the practice of the private sector, the non-executive members of a board may regularly review salaries with the chairman

(possibly with the help of a management consultant's report). This review would embrace top management as well as board members and should therefore gradually end the problem of board members often earning less than executives who report to them.

The level of wage increases being paid generally in the industry concerned would be considered and recommendations would be made to the Minister concerned. As the Prime Minister stressed on Monday, increases would then be agreed in conjunction with the Civil Service Department, which is likely to want to maintain a strong central influence over what happens. The Prime Minister himself would be involved in vetting key decisions.

Efforts may be made to stagger the reviews in different industries, so that they are not all announced together, in order to lessen the political impact of any increases.

Major increase

What seems most likely, however, is that, if there are to be any major increases paid during the next year or two, they will emerge when new appointments are made rather than because of an annual or biennial review.

There is also likely to be considerable confusion. As one frustrated chairman said yesterday: "The only thing one can be sure of is that there will continue to be a muddle, with civil servants trying to wield control, and with different Ministers fighting their corners with varying degrees of strength and interest."

Demonstrators stop nuclear waste train

BY JAMES McDONALD

ANTI-NUCLEAR demonstrators yesterday halted for some hours a train carrying radioactive waste by erecting a scaffolding barrier across the line outside Dursley in Gloucestershire.

Seven people were arrested before the line was cleared and the train carried on to Sharpness docks on the Severn.

The waste — nearly 100,000 curies of radio-activity and weighing in its concrete and

steel containers nearly 2,700 tonnes — was to be off-loaded at Sharpness into a ship and dumped into the Atlantic 500 miles south-west of Land's End, where the sea is 24 miles deep.

The Department of the Environment announced some details of the waste disposal programme, but not the train time, last week. The operation, by the UK Atomic Energy Authority, was carried out in

accordance with internationally agreed procedures and under international surveillance.

The demonstrators hired the scaffolding in Bath for about £100 and erected the barrier at dawn. The train stopped near it, and a British Rail spokesman said later the protestors' action was "grossly irresponsible and extremely foolish. Had this train been going through at a time when the light was not so

good it could have ploughed straight through this obstruction, possibly injuring the demonstrators and the crew."

But the Atomic Energy Authority said there was no danger to the load, which was "no more harmful than a train load of cement."

The protest ended after four hours when police tied ropes to the scaffolding to pull it down. They had brought a tractor load

of hay so that demonstrators on the scaffolding would not be injured in the fall. Some of the demonstrators jumped from the obstacle to the roof.

British Rail said there would be an inquiry into how the protestors discovered the route and time of the train, which were supposed to be secret. The train had started its final leg of the journey to Sharpness from Didcot in Wiltshire.

David Fishlock reports on Britain's annual radioactive spring-clean

Dumping atom refuse in the deep

ONCE A year Britain's spring-cleans the radioactive refuse from its 6,000 or so premises — laboratories, hospitals, factories, etc. — licensed to use radioactive materials. At a half-dozen places this refuse is being sealed in concrete drums for the annual sea dump into the Atlantic.

The annual sea dump disposes of radioactive waste from a great variety of national activities involving radioactive substances: medical diagnosis and treatment, and the manufacture of drugs, as well as activities associated with nuclear electricity generation and nuclear weapons.

The refuse includes filters from ventilation stacks, glass, plastics and paper, and slurry residues from chemical processes.

Six centres in the South of England and in Wales, accumulate this refuse, entomb it in concrete, and seal it in drums for dumping on the seabed. One is Harwell, the Atomic Energy

Research Establishment near Didcot, from which came the train held up on a branch line in Gloucestershire yesterday.

Four years ago Sir Brian (now Lord) Flowers, then chairman of the standing Royal Commission on Environmental Protection, in his report on the nuclear-power programme urged the Government to set up a Radioactive Waste Management Committee, independent of the nuclear industry. One of his aims was to bring into Government a source of expert advice and criticism on its handling of radioactive waste.

This committee, in its first report to the Government only two months ago, was sanguine about the way Britain was using the oceans to dispose of certain kinds of radioactive rubbish.

"We think this could be somewhat increased," it concluded. It went on to add that additional increments of radioactivity on the scale being

proposed would be in comparison with the natural background radioactivity of the sea, "a drop in the ocean." Taken together with its confidence in the safety of the sea dump itself, which could be evaluated scientifically, said the committee, it believed "that an increase in the annual dumping rate of the order of 2,000 curies of alpha activity is a reasonable objective for the UK."

Four countries practise deep-sea dumping in the North-East Atlantic: Belgium, The Netherlands, Switzerland and the UK. Britain's contribution accounts for about 90 per cent of the total.

For this reason it takes responsibility for the sea dump, some 500 miles south-west of Lands End, approval for which must first be obtained from the Secretary of State for the Environment and the Minister of Agriculture, Food and Fisheries.

Only mildly radioactive materials are dumped at sea. The highly radioactive liquids remaining after reprocessing of spent nuclear fuel are stored at the reprocessing plants at Windscale and Dounreay. Eventually these, too, may be dumped on the seabed, after solidifying them into glass ingots. But no final decision on their disposal is likely to be taken for at least another decade.

Meanwhile, precious-metal refiners are showing a fast-growing interest in the possibility of "mining" these radioactive liquids as a source of such precious metals as iridium. The radioactive refuse currently dumped at sea is carefully selected locations in carefully sealed containers designed to retain their integrity all the way down to the seabed, and thereafter to leak their contents as slowly as possible.

Nevertheless, the safety assessments made by the OECD's Nuclear Energy Agency

in Paris, as the organisation which supervises the sea dump, are based on very conservative assumptions, says Mr. I. G. K. Williams, its director-general. "One such assumption is that the radioactivity is immediately released when the containers reach the ocean floor."

It has been proposed that the sea in the vicinity of the sea dump should be monitored for any rise in radioactivity. Britain's new "watch-dog" agency on radioactive waste management has examined this idea and concluded that regular monitoring would be a waste of time. So great is the dilution in the deep ocean that even under the worst imaginable circumstances the leakage of radioactivity would be beyond the bounds of detection.

But the committee concedes that an emotional issue is the whole issue of nuclear waste and its disposal. "Monitoring can provide a degree of reassurance."

Oriental manuscript sells for £850,000 in record day

IT WAS a day of record prices at London salerooms yesterday, with the most important — and rare — item, Rashid Al-Din's "World History," going for £850,000 at Sotheby's against a pre-sale estimate of around £300,000.

The manuscript, which dates from 1314, was sold by the Royal Asiatic Society and bid for by a Geneva agent on behalf of an anonymous buyer. The work, which in one folio shows Shakyamuni offering fruit to the devil, was carried out at Rashid Al-Din's scriptorium near Tabriz under the patronage of the Il-Khanid ruler, Uljaytu. Rashid Al-Din was executed in 1318 when he was in his 70s, and the scriptorium was plundered. "World History" is thought to have been acquired in India in 1813, and later in England by

SALEROOM

BY PAMELA JUDGE

Major-General Thomas Gordon through whom the society was left the work. It has been sold to raise funds.

Other prices in Sotheby's sale of Oriental scripts, miniatures and Qajar lacquer were £8,000 for a blue vellum Qur'an leaf, £7,500 from the Victoria and Albert Museum for an album with two Safavid drawings, and £5,500 from Colnaghi for an illuminated Qur'an leaf in Kufic script. The second and last day of the auction totalled £924,969.

English and Welsh porcelain sold by the same house amounted to £84,740, with the Welsh items attracting £29,060. The highest price was £3,000 for a set of Bow knife and fork handles en suite. A Swansea ice ball cover and liner of about 1814-22 went to a Welsh buyer for £2,200.



The £850,000 manuscript being displayed yesterday

At Christie's the world record was for a German wheel-lock holster pistol, circa 1600, which went to Howard Ricketts for £110,000. Mr. Ricketts was dealing for a private collector living abroad. The sale of antique arms and armour made £261,172 and a private collector living in England gave £7,000 for a wheel-lock rifle carbine.

The head of a youth in a turban by Giovanni Battista Tiepolo was the highlight of the sale of Old Master drawings by the same house. Executed in black chalk, pen and brown ink and

brown wash, it realised £10,000. The total for the morning was £111,470. Japanese prints, paintings and screens amounted to £38,507 with Shogun, Japan, giving £2,400 for a Chokki diptych of courtesans in a Green House.

Spink's record was for an English coin — £45,000 for a Charles I gold triple Unite (a £3 piece) of 1642 from the Shrewsbury Mint. In a West Country sale in 1968 the same coin sold for £11,000. The previous record for a British coin was £33,415 for a Scottish James VI £20 gold piece.

Platform builder plans to join oil and gas search

BY RAY DAFTER, ENERGY EDITOR

HOWARD DORIS, one of the UK's major constructors of offshore oil production platforms, plans to venture into North Sea oil and gas exploration.

The group intends to bid for new seventh round licences as a member of consortia involving major international oil companies.

Howard Doris, which has a platform construction site, in the North-West Highlands of Scotland, is discussing with oil companies the composition of consortia likely to bid for exploration concession in both the North Sea and the English Channel. Bids are due to be submitted to the Government by August 11.

The group, which has built platforms for the Ekofisk, Frigg and the Ninian fields, is believed to be the first constructor to attempt to diversify into exploration.

Mr. Lee Finkel, the director of Howard Doris responsible for the planned venture, said: "Being an oil-related company we see this step not as mere financial speculation but as a logical development of our hard-won experience with deep-water structures."

The group, which employs 650 workers at its Kishorn site, developed at a cost of £60m, said it hoped that there would be some ordering spin-off from exploration interests.

The company said that if it was a member of a consortium which found commercial quantities of oil it would be in a good position to ensure that Kishorn was at least included on the platform construction tender list.

Howard Doris, which is building part of the production facilities for Phillips Maureen Field, has set up a Scottish registered subsidiary, Howard

Doris Exploration, a spearhead of the drilling venture.

Occidental, the U.S.-based operator of the Piper and Claymore fields is expected to order a purpose-built floating production platform to exploit small oil finds in the North Sea. "If the company implements the scheme UK shippers are almost certain to be invited to tender for the construction contract, which could be worth about £50m."

For the past year Occidental has been evaluating schemes for owning or chartering a floating production unit that could exploit small oil finds close to the Claymore Field or possibly other discoveries. Two years ago the group made a minor oil discovery on block 14/18, in the concession next to the block containing Claymore, but two subsequent wells were dry.

Although Occidental is thought to be moving closer to a decision, no formal proposals have been put to its partners or to the Energy Department. Occidental's partners in Piper and Claymore are Getty, Allied Chemical and Thomson. BNOG joined the consortium for drilling in block 14/18.

Sealink UK fares up

SEALINK UK is to increase fares on the Hull-New Holland and Gravesend-Tilbury routes from August 10. The single passenger fare from Hull to New Holland goes up from 67p to 76p and the rate for an accompanied car more than 13 ft 6 in long will be £4.55, from £4.

The single passenger fare from Tilbury to Gravesend is increased from 46p to 52p.

BP strikes more North Sea oil

By Sue Cameron, Chemicals Correspondent

BREITEN PETROLEUM said yesterday that a North Sea oil well drilled with Chevron Petroleum has confirmed a significant field immediately south of the big Ninian Field, writes Ray Dafter.

The group said that the well had been temporarily capped while engineers evaluated the drilling results. Within the industry it is thought that the move indicated BP would return to the site and use the well for production purposes.

Oil was tested at four levels. Flow rates of 3,689, 100, 4,374 and 6,520 barrels a day respectively were recorded. As reported in the Financial Times on Thursday, the reservoir was hydraulically fractured to improve the oil flow rate.

It was the first time that such a stimulation technique has been used for a semi-subsurface drilling rig in the North Sea. Fluid was pumped under pressure to the well, hearing rock and the resultant cracks were then kept open by a sand-based propping agent.

The reservoir, which stretches from block 3/7 into block 3/8, is very close to an oil discovery announced by BP a fortnight ago. Industry estimates suggest that the combined recoverable reserves of the two fields could be at least 100m to 200m barrels enough to justify commercial development.

Honda and Toyota sales up in 1980

ONLY FOUR producers have sold more cars in the UK in the first six months of 1980 compared with the same period last year. They are Honda and Toyota, of Japan, Mercedes, of West Germany, and Volvo, of Sweden.

Honda's progress — a jump of 40.4 per cent in sales from 9,552 to 13,411 over the half-year — was to a great extent caused by a technicality. A hold-up on its 1980-specification cars' technical tests (the so-called homologation process) caused a 10-week backlog to be released in the UK in January and February this year.

At the same time the company has decided to move sales of some of its allocation from Japan into the first half of the year.

The importing company is a wholly-owned subsidiary of the Japanese group. It said yesterday that by the year-end it would expect to register 22,500 cars, about the same as 1979, for a 1.2 per cent market share against 1.04 per cent last year.

Volvo Concessionaires, the Lex Group subsidiary, has built up market share from 1.97 to 2.37 per cent and increased volume from 20,355 to 20,611 or by 1.3 per cent over the six months.

The boost has come from the introduction of the manual version of the 343, the smaller Volvo (although actually it is Cortina-sized), which has lifted

sales by 58 per cent from the time when only the automatic was available.

And as Dr. James Maxmin, the chief executive of Concessionaires pointed out: "These results were achieved without offering the customer a series of short-term promotional gimmicks."

Concessionaires claims that its 1980 performance had taken it from seventh to fifth place in the importers' league and Volvo was now ahead of Peugeot, Toyota and Citroën.

Toyota's sales have been helped by what was virtually a complete change in most of its range this year. Sales by the Inchcape group subsidiary over the six months rose from 17,695 to 18,392, pushing its penetration up from 1.72 to 2.12 per cent of the market.

The increase in Mercedes' registrations — from 4,488 to 4,989 — has been possible because the allocation from the German factory to its UK subsidiary has been lifted this year from 9,000 to 10,000. Demand for

the compact saloons, diesel-engined saloons and the "S" class models remains particularly high in the UK.

At the other end of the scale, Fiat the Italian group whose share of the UK market has fallen by more than a quarter in the first half of this year, yesterday cut the price of the 128 saloon by 8 per cent, or by £230 to £3,099. The 128 was "Car of the Year" in 1979. Fiat has also introduced a scheme offering 5 per cent finance on all its cars and light vans.

UK CAR REGISTRATIONS

	1980	%	1979	%	1980	%	1979	%
Total UK produced	50,795	41.10	88,071	44.00	368,500	42.40	459,604	44.56
Total imported	72,803	58.90	112,102	56.00	500,668	57.60	571,726	55.44
Total market	123,598	100.00	200,173	100.00	869,168	100.00	1,031,330	100.00
Ford*	45,487	36.80	52,874	26.41	284,618	32.75	281,342	28.43
BL*	16,292	13.18	41,465	20.80	155,374	17.88	211,550	20.51
Peugeot SA—Talbot*	5,427	4.39	14,200	7.10	51,228	5.89	77,021	7.47
Citroën	1,770	1.43	3,841	1.92	14,467	1.66	19,363	1.87
Peugeot	1,454	1.17	4,320	2.16	14,425	1.65	22,870	2.21
Total Peugeot SA—Citroën	8,653	7.00	22,361	11.17	82,120	9.45	119,254	11.56
General Motors—Vauxhall*	3,720	3.01	12,445	6.21	64,347	7.40	68,399	6.61
Opel	1,310	1.06	3,025	1.51	12,493	1.44	16,452	1.59
Other GM	98	0.08	115	0.06	560	0.06	648	0.06
Total GM	10,128	8.19	15,585	7.79	77,400	8.91	85,499	8.29
Renault	8,615	6.97	10,541	5.27	52,825	6.08	56,641	5.49
Datsun	9,247	7.48	11,158	5.57	44,785	5.15	55,512	5.38
Fiat Auto—Lancia	5,718	4.63	10,448	5.22	25,854	2.98	42,375	4.10
Fiat	378	0.31	1,017	0.51	2,498	0.29	5,961	0.58
Total Fiat Auto	6,096	4.93	11,465	5.73	28,352	3.26	48,336	4.69
VW/Audi	5,203	4.21	10,374	5.18	34,507	4.00	43,424	4.21

* Includes cars from companies' Continental associates which are not included in the total UK figure.

† Includes cars from all sources including cars from Continental associates of UK companies.

Source: Society of Motor Manufacturers and Traders

Bank of New South Wales

announces that with effect from Tuesday, 8th July, 1980 its base rate for lending will be decreased from 17% to 16% per annum.

Bank of New South Wales,
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Air UK to cut staff by 98

BY MICHAEL DONNE, LISA WOOD AND ROBIN REEVES

THE DECLINE in air traffic in the UK as a result of the recession has prompted Air UK, the independent airline formed by merger of British Island, Air Anglia and other airlines, to lay off 98 staff.

They represent about six per cent of the total staff of 1,700, and cover all aspects of the airline's operations — middle-management, pilots, reservations and clerical workers, engineers and other ground staff.

Mr. Peter Villa, managing director, said that when the airline was formed recently it had been hoped to avoid redundancies. But decline in air traffic this summer had forced reconsideration.

Redundant personnel were given notice on July 1 and will leave on July 31. Mr. Villa said the measures were to ensure the company's well-being. He was "obviously very sorry" for those redundant but it was management's responsibility to consider the continued employment of the majority.

Catic Components, of Caerphilly, Mid-Glamorgan, where employees this week agreed to a cut in wages to help the company out of difficulties, has now made more than 50 workers redundant. Senior managers and office staff were told they could leave immediately and still receive full redundancy pay.

Mr. Jim Lane, production director, said: "We are letting workers go immediately so they can look for other jobs. We will still be going ahead with the wage-cut plan. If that had not been agreed, the company as a whole would have suffered and we would have lost our competitive edge."

All 350 remaining workers, including the managing director, agreed to the wage cut. The company makes steel lintels for the building industry and blames the recession in the

building trade for the drop in demand.

Crane Fruehauf, Britain's major trailer-maker, is making more than 25 per cent of its 2,738 workers redundant. The Norfolk-based company attributed the 765 redundancies to an "unprecedented fall" in demand and the consequent need to align the size of the business.

The redundancies affect its Oldham, Lancs, plant where about 140 jobs will be lost from a total of 200 out of 900 workers at Dereham, Norfolk; 380 of 640 at North Walsham, Norfolk; and 70 out of 132 at Basildon.

In 1979 CF made a £1.3m profit on a £7.9m turnover in spite of trade being affected by the language dispute and engineering industry problems.

Meanwhile the British Steel Corporation's tin-plate group is considering applying for aid under the Government's temporary short-time working compensation scheme in an attempt to avoid lay-offs.

Holiday shut-down periods at all three BSC tin-plate plants in Wales—Trostre, Velindre and Elbow Vale—have been extended already because of the low level of orders since the three-month steel strike ended.

But the corporation's tin-plate order-book is still looking "very sick." Deliveries of imported tin-plate ordered by BSC's traditional customers during the strike have arrived late; poor summer weather has hit soft-drink sales, holding back orders from canners; and there is a growth in imports of canned foods.

BSC has held discussions with representatives of the 9,000 tin-plate workers at the three plants. More talks are due today to complete a joint management-union application to the Government for temporary aid.

Illegal gaming alleged at Coral casino

LARGE-SCALE unlawful credit gaming took place at one of the Coral Leisure Group's four London casinos, it was alleged yesterday.

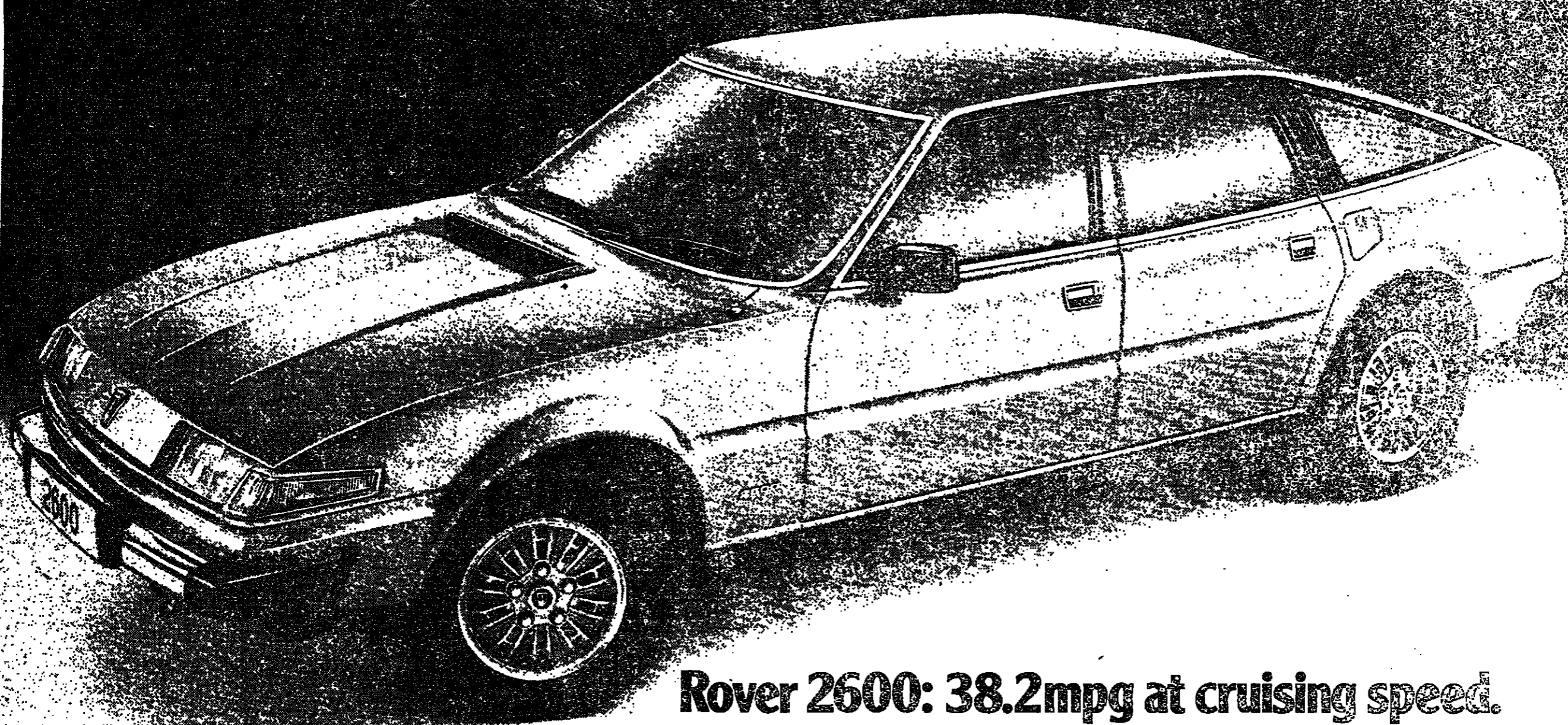
From 1976 matters at the Curzon House casino went from bad to worse, Mr. John Marriage, QC, told South Westminster Licensing Justices.

A ring of cashiers pooled tips — unlawful under the Gaming Act — and a vast amount of foreign currency was sold. Eventually "senior management was forced to carry out an investigation and the result was that all these matters came to light."

But Mr. Bryan Sherley-Dale, managing director of the casino group, largely suppressed the results of the investigation said Mr. Marriage.

Mr. Marriage appeared for the Metropolitan Police who, with the Gaming Board, are applying for cancellation of the gaming licences for three Coral casinos, and objecting to their renewal.

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UK NEWS - PARLIAMENT and POLITICS

Thornycroft cautions hardliners not to sabotage Employment Bill

BY IVOR OWEN

HARDLINE Tory peers and MPs were warned last night that any attempt to outlaw all blacking or other sympathetic action could well sabotage the Government's entire strategy for curbing trade union power.

The warning was given by Lord Thornycroft, the Conservative Party Chairman, in the House of Lords when he vigorously defended the "softly softly" approach to trade union reform adopted by Mr. James Prior, the Employment Secretary, and embodied in the Employment Bill.

He joined with Earl Gowrie, Minister of State for Employment, in arguing against amendments introduced by Tory backbenchers which some support from the cross benches—designed to put more teeth in the section of the Bill restricting secondary action in an industrial dispute.

Lord Thornycroft virtually admitted that in their present form the provisions in the Bill

do not provide the full protection against secondary action envisaged in the Conservative Party's election manifesto.

But he maintained that it was in the national interest to see if the least restrictive provisions of the Bill could be made to work.

If they did not work, any further action would be decided not just by Parliament but by millions of trade unionists themselves who had already shown that they were weary of the events which marked the "winter of discontent" in Labour's last year of office.

Lord Thornycroft suggested that in the event of another major wave of industrial unrest, the Government would have to be tackled not by a minor amendment to the present Bill but by a major amendment going to the very fundamentals of the trade union movement.

"For my part I pray that this Bill as it is drafted today will work," he stressed.

Lord Thornycroft recalled that the trade union immunities which some Tory peers and MPs now wanted to eliminate entirely had been in operation for almost a hundred years and had been used wisely by the outstanding trade union leaders of the past like Arthur Deakin and Ernest Bevin.

They had been able to use the immunities without doing great damage to the country and he believed that that should still be possible.

Moving the key amendment, Lord Spens, a cross bencher, complained that the section of the Bill dealing with secondary action went far too wide in permitting the continuance of basic trade union immunities.

He maintained that in the event of a national coal strike secondary action would still be permissible by railway workers, lorry drivers and by power station workers to the extent that they refused to use coal provided by another source.

Lord Spens also maintained that the Commons had not been given sufficient time to consider the provisions on secondary action. This position would be remedied if peers were to approve the amendment and ensure that the Bill had to be returned to the Commons.

Lord Gowrie maintained that the Commons had already been given adequate opportunity to consider all the arguments advanced by those who supported the amendment moved by Lord Spens. He urged peers to consider the amendment on its merits alone and not to respond to "politicising" by Tory backbenchers anxious to revive the controversy on the floor of the Commons.

If all secondary action were to be outlawed this would provide the ammunition which trade union militants were anxious to obtain to enable them to mount the same kind of campaign which had rendered the 1971 Industrial Relations Act ineffective.

Backbench attack on Planning Bill

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT came under attack from its own backbenches yesterday over its proposal to penalise local authorities who overspend on their rates.

The scheme has already met strong opposition from the local authority associations, several of them Conservative controlled.

Mr. Anthony Beaumont-Dark, (C. Selby Oak) denounced the proposals as "dictatorship" in the Commons yesterday and said that he would not vote for it.

From the Opposition front bench, Mr. Roy Hattersley, Labour's Environment spokesman, condemned the measure as "intolerable".

The criticisms came during the report stage of the Local Government Planning and Land (No. 2) Bill which is intended to give Central Government greater control over local authority spending.

It will introduce a block grant system next year under which local authorities who spend above their assessed "standard expenditure" will get less money. If expenditure rises above a threshold figure, the Government grant will be tapered off.

For the current year, transitional arrangements are being introduced. A national rate has been set and authorities who exceed a threshold spending figure—still to be announced—will be penalised in November. This will be done by reducing the money normally due to them, under the increase order which compensates them

for rises in prices and pay over the year.

Mr. Beaumont-Dark, who was formerly Chairman of Finance in Birmingham and West Midlands, made a bitter attack on the transitional arrangements and the block grant. He said there were ways of controlling local authorities without using a big hammer to stop a few "nuts" who were overspending.

"It is no part of my philosophy to have a Government set itself up as a great dictatorship because of a temporary problem," he protested.

"This is a time not to war on local authorities. It is a time to talk to them. This clause on transitional arrangements and other clauses will damage the fabric of local Government for many years to come. This damages—it does not build."

He said there was no such thing as a national rate nor an average local authority. Local Government was about the democratic right of people to make their own mistakes.

"Councils are as much elected to serve their people as we are here. It is wrong to try to dictate a system which has not been accepted or understood."

But the Government received support from another Conservative backbencher, Mr. Elean Griffiths (Bury St. Edmunds). He said it would be madness for the Government to turn its face away from its responsibility for the needs of the taxpayer and the need to control inflation.

Mr. Tom King, Local Govern-



Beaumont-Dark: Denounced proposals as "dictatorship"

"The charge of retrospectivity is unacceptable," he declared. Ministers had to act responsibly as trustees between the competing claims of local authorities.

The Bill would not reduce the total amount of money going in Government grant to local authorities. It would, however, influence the distribution of the money between the different councils.

"What happens at the present time is that to those with the highest levels of expenditure more is given and from those who have been more prudent it is taken away," said Mr. King.

Mr. Hattersley observed that after the Minister's speech the House knew no more about how local authorities were to be punished than it did at the beginning of the debate.

He complained that the proposals allowed Mr. Michael Heseltine, the Environment Secretary, to construct whatever rules he wanted for punishing councils. To make matters worse, it would be done retrospectively.

Mr. Hattersley moved an amendment which would, in effect, have wrecked the Government's transitional arrangements. It proposed that the Government should only be allowed to reduce the money going to local authorities later this year if it informed them of the size of the reduction by July 1.

The amendment was defeated by a Government majority of 33 (241-274).

Scrapping D-Notice 'of little consequence'

BY LYNTON McLAIN

SCRAPPING THE D-Notice system of voluntary rules covering publication of defence secrets would make little difference to the day-to-day operations of journalists in the BBC and in independent broadcasting companies, MPs were told yesterday.

Mr. Richard Francis, the director of news and current affairs at the BBC, told the House of Commons Select Committee on Defence that the media could manage without D-

Notices in peacetime, until hostilities are imminent. Mr. Francis is a member of the Government's Defence, Press and Broadcasting Committee. This issues the D (for defence) Notices advising editors and broadcaster of defence topics which, if published, may jeopardise Britain's national security.

He told MPs that the BBC, on the committee, had always supported the D-Notice system as an "essential backdrop where national security issues are at stake."

Kinnoch's claim 'was hyperbole'

SHADOW EDUCATION Secretary Mr. Neil Kinnoch's claim that a Staffordshire school had no books was "obviously hyperbole," he admitted in the Commons yesterday.

The claim, published in the Teachers' Journal and alleging that a school at Werrington was without books, was investigated by Mr. Mark Carlisle, Education Secretary, who dismissed the rumour.

In Commons Questions on Education yesterday, Mr. Kinnoch again put himself in the firing line by joining in an

argument started by Mr. Bob Cryer (Lab., Keighley) on the shortage of books in schools. He accused the Department of Education of being "complacent and atavistic" in not supplying necessary books and equipment for schools, but asking parents to raise the money.

The Times Education Supplement reported that parents paid £23m last year for that purpose. Mr. Kinnoch said, Mr. Neil Macfarlane, Education Under-Secretary, denied that anyone was complacent and hit back at Mr. Kinnoch by accusing him of "gross misrepresentation" in

his remarks about Werrington. There was "no truth in that story whatsoever," Mr. Macfarlane said.

Mr. Kinnoch angrily retorted: "The references to the Teacher was obviously hyperbole. The Teacher had also misprinted the name as Wellington instead of Werrington, so morale could not have been affected, he said."

Mr. Macfarlane replied that the only person engaged in hyperbole was Mr. Kinnoch and that his reputation was "somewhat tattered and torn" by the affair.

Thatcher's warning on miners' pay claim

By Philip Rawston

THE MINERS' pay settlement would determine the price of electricity next year, Mrs. Margaret Thatcher warned in the Commons yesterday.

But the Prime Minister, amid angry exchanges with Mr. James Callaghan over further possible pit closures, calmly brushed aside the miners' 35 per cent pay claim.

Mr. Michael Shersby (C. Uxbridge) suggested that the claim was "totally unrealistic" in the present economic situation.

The National Coal Board and the miners' union should be encouraged to reach a more moderate settlement, he said.

Mrs. Thatcher replied: "This is the season of trade union conferences and Parliament gets accustomed to a number of high claims."

"It is not so much the claims, it is the settlements I am concerned with as is anyone interested in the costs and price of coal this year and the price of electricity."

"What the miners decide will determine the price of electricity next year," she declared.

Mrs. Thatcher paid tribute to the miners for their improvements in productivity but suggested that many were happy with their existing pay. That was evident from the reports of young people queuing up to earn £147 a week at the coal face, she said.

Mr. Callaghan asked her how she proposed to protect the people of South Wales and elsewhere from the "ravages of Government policy."

Was she prepared to see viable coal mines closed down, he demanded.

The Prime Minister retorted that taxpayers were already paying a substantial subsidy to the coal industry. The external finance limit was £834m.

"The trouble is we have to have a subsidy for far too much," she asserted. "Steel, coal, British Leyland, shipbuilding, electricity."

To Conservative cheers, she added: "It is one thing after another. You must remember that some industries have to produce these subsidies."

Mr. Callaghan said the greatest fear in South Wales was that the steelworks at Port Talbot and Llanwern would be closed and would lead to the closure of coal mines which were capable of producing coal efficiently.

Those were questions for British Steel and the National Coal Board, Mrs. Thatcher replied.

LABOUR

Industrial relations turn sour at Sheerness Steel

BY NICK GARNETT, LABOUR STAFF

THE AWARD given to Sheerness Steel, the private steel makers, largely as a result of its industrial relations record, continued yesterday to sour those relations.

Members of the Iron and Steel Trades Confederation at the plant are to hold a mass meeting this morning to discuss the possibility of industrial action.

This follows a refusal by the company during discussions with union officials yesterday to return an award presented to the company by AIMS, the free enterprise organisation.

AIMS said yesterday that the award, a block of wood with a plaque, was made because of the company's excellent productivity record, its Queen's Award to

Industry but above all because of its splendid record on industrial relations.

Union officials representing the Sheerness workforce, which defied its union executive in refusing to join the national steel strike, believe the award has been made principally because of that decision.

Mr. Taffy Watts, the chairman of the union's branch covering Sheerness, said earlier this week that the union believed that AIMS was trying to drive a wedge between the workforce and the union.

AIMS has also given an award to Sir Hector Laine, chairman of United Biscuits, partly because of that company's "ex-

employee relations." The company last year took legal action against pickets in the lorry drivers' strike.

The mass meeting today, which might consider a 24-hour strike, will be addressed by Mr. Les Banbury, the union's national officer for the private steel industry.

Mr. Michael Ivens, director of AIMS, said yesterday: "We are very sorry indeed that pressure has gone on to the Sheerness Steel company and its workers."

The suggestion that AIMS or Sheerness Steel was anti-union is "nonsense and I'm afraid it sounds like a wholly artificial charge whipped up by the union to put pressure on the workers."

ITN agreement on new technology

BY PAULINE CLARK, LABOUR STAFF

A BREAKTHROUGH in union co-operation on television technology has been reached by Independent Television News, whose technicians have agreed to accept electronic news gathering (ENG).

The Association of Cinematograph, Television and Allied Technicians said yesterday it had accepted a deal which involved better pay and conditions for all staff affected by the change from filmed news material to ENG, using portable videotape cameras.

Other unions representing ITN staff were continuing talks last night but the ACTT agreement is of primary importance because it is the biggest technicians' union in commercial television.

The deal with ITN is also seen as a breakthrough because about 90 per cent of the company's material is news, which is the main use for ENG.

Two other independent television companies—Granplan and Tyne Tees—have already gained union co-operation on ENG and the ITN deal could encourage further agreements at Associated Television, London Weekend Television, Yorkshire Television and Granada Television companies, where discussions on new technology are in progress.

Of special significance to ITN is the agreement that it can use material from ENG crews on news assignments abroad.

Because of the increasing use of ENG in other countries, the company was having difficulties in covering news events with film.

The deal is said by the union to consist of pay improvements through the incremental scheme and upgrades of staff closely involved with ENG operations.

These are accompanied by changes in conditions of work and agreement on facilities for handling video transmissions as well as safeguards designed to preserve individual levels of responsibility for staff.

McGahey loses chance of seat on TUC council

BY CHRISTIAN TYLER, LABOUR EDITOR

MR. MICHAEL MCGAHEY, the Communist vice-president of the National Union of Mineworkers, was yesterday denied the chance of a seat on the TUC general council by the casting vote of the NUM president, Mr. Joe Gormley.

Mr. McGahey had tied with Mr. Ray Chaburn in elections for the NUM's representatives at the TUC. Mr. Chaburn is the relatively inexperienced Nottinghamshire area president and one of three current Right-wing choices to contest the presidency on Mr. Gormley's retirement.

A furious row broke out at the union's annual conference in Eastbourne when the tie-breaker was announced, and Mr. Chaburn was declared one of the two NUM nominees for next year's TUC general council.

Mr. Gormley's decision infuriated the Left, who had hoped to see Mr. McGahey join Mr. Arthur Scargill, Yorkshire area president, on the TUC's

governing body. Mr. Scargill, the Left's candidate for the presidency, was recommended as the other NUM nominee when he topped the poll in yesterday's voting. He will be standing for the TUC this autumn, following a conference decision last year.

Shouts and jeers filled the hall as delegates complained of electoral irregularities, and alleged that some delegations had broken their area mandate. But Mr. Gormley refused to hold a card vote and refused to allow his ruling to be challenged.

The chief victim of yesterday's voting was Mr. Lawrence Daly, national secretary, who is ousted from his place on the general council from next year. Mr. Daly rose to the top of the union on a Left-wing platform, but joined the moderate camp and has steadily been losing influence. Yesterday even his moderate supporters deserted him in favour of the newcomer from Nottingham.

EEPTU vote 'was properly conducted'

By John Lloyd

THE executive of the Electrical, Electronic and Plumbing Trades Union ruled yesterday that the election last month of Mr. Wyn Bevan to the union's national council was properly conducted.

Mr. Bevan, a Left-wing convert at the British Steel Corporation's plant at Port Talbot, first won the contest for the Wales region's seat last year.

That election was declared void by the EEPTU executive

Nurses' leaders seek further wage talks

By Our Labour Staff

NURSES' LEADERS yesterday "reluctantly" accepted the Government's 14 per cent pay offer, but are seeking urgent talks with Ministers to try to protect nurses' pay in the future.

All but one of the main unions representing Britain's 490,000 nurses and midwives conveyed their acceptance to management at a joint Whitley Council negotiating meeting.

The meeting will follow separate talks next Monday between Mr. Nott, Mr. Evans and Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, which will focus on the effect of foreign and particularly Japanese car imports on the light of B.I.'s expected dramatic slump in sales figures for June.

Teachers call for 21% pay rise

BY NICK GARNETT, LABOUR STAFF

UNIONS representing school teachers in England and Wales yesterday called for salary increases of about 21 per cent during their submission to the arbitration body dealing with teachers' pay settlement this year.

The teachers' panel of the Burnham negotiating committee, which includes employers and unions, told the arbitration body, set up by the Advisory, Conciliation and Arbitration Service, that this increase was required to protect the value of the last award of the Clegg pay comparability commission.

Local authority employers have offered 13 per cent, which they have sealed down to 9.2 per cent to take into account a 4 per cent error made by the Clegg commission.

This followed last year's pay increases of 9 per cent from April 1979 and 18.2 per cent, half paid in January and the rest from September. A new

settlement will operate from this April but rises will be calculated on the September figures.

The arbitration's findings, likely to be made towards the end of the month, are being watched by negotiators for 53,000 local authority white collar staff.

They have rejected a 13 per cent offer and say their response to further negotiations will be conditioned by the size of the teachers' settlement.

The National and Local Government Officers' Association has already asked its branches to consider forms of industrial action they would be prepared to recommend to national negotiators if their talks break down.

The teachers' panel told the arbitration committee that it was wrong for the employers to say that they could not pay even the 13 per cent.

A record of discussions

within the Burnham committee showed the employers had been prepared to make an offer of 13 per cent on top of the Clegg award, before the error had come to light.

They also referred to the Scottish teachers whose negotiators have rejected 10 per cent.

In its written submission, the union says there has been a 21.2 per cent increase in the index of average earnings in the 12 months to April.

Mr. Fred Jarvis, general secretary of the National Union of Teachers, said yesterday that the arbitrator should take account of the general trend of pay was vital to maintain the value of teachers' existing pay.

"Otherwise we will find teachers inevitably slipping down again into that slough of underpayment in which they have existed in recent years."

No plans to change Act of Settlement—PM

THE PRIME MINISTER said yesterday the Government had no plans to change the law so that Prince Charles could marry a Roman Catholic girl.

The issue arose in the Commons during Question Time against a background of reports of exchanges between Mr. Humphrey Atkins, Ulster Secretary, and Protestant leaders concerning Prince Charles, religion and marriage and a move by Labour backbenchers to introduce a Bill to amend the Act of Settlement 1701.

Mrs. Thatcher was asked by Mr. Robert Adley (C. Christchurch and Lynton) if she could "envisage any circumstances in which there would need to be an early amendment" of the 1701 Act.

The Prime Minister replied: "The Act of Settlement remains in force and the Government has no plans to change it."

But MPs will have the opportunity of voting later this month whether they want to end the ban on Prince Charles marrying a Roman Catholic, and still taking the Throne.

A group of Labour MPs yesterday tabled a Bill to repeal those parts of the old Act which disqualify an heir to the throne from doing this.

It is scheduled to be debated under the Ten Minute Rule procedure on July 28 and is bound to lead to a division.

But the procedure for this private members' measure is no more than a test of opinion. It has no chance whatever of going any further.

Principal sponsor is Mr. Norman Hogg, a Presbyterian, and MP for Dunbartonshire East.

He said: "The reason we are doing this is that we believe the law as it stands is discriminatory... offensive"

insulting to the Catholic community in the United Kingdom."

Controversy began over remarks alleged to have been made by Mr. Atkins at a private meeting.

It is claimed he told Mr. Thomas Orr, Grandmaster of the Grand Orange Lodge of Scotland, that the Act would not be changed to allow the Prince of Wales to marry a Roman Catholic.

During Questions, Dr. Edmund Marshall (Lab., Gower) asked Mrs. Thatcher: "Is not the most important consideration the fact that the Prince of Wales should be able to lead his own life and find his own way to happiness like everyone else?"

But Mrs. Thatcher would not be drawn. "There is nothing I can usefully add," she said.

The Northern Ireland Office has denied that Mr. Marshall's remarks were

insulting to the Catholic community in the United Kingdom."

There has been speculation that Prince Charles might marry the Roman Catholic Princess Marie-Astrid of Luxembourg.

It is claimed he told Mr. Thomas Orr, Grandmaster of the Grand Orange Lodge of Scotland, that the Act would not be changed to allow the Prince of Wales to marry a Roman Catholic.

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But Mrs. Thatcher would not be drawn. "There is nothing I can usefully add," she said.

The Northern Ireland Office has denied that Mr. Marshall's remarks were



HOGG: "Law is discriminatory"

Changes at Calor Gas

CALOR GAS HOLDING CO. has made the following appointments; Mr. D. J. Mitchell, has been appointed chief executive of the Domestic Management Centre (comprising the main operating divisions of the Group in Great Britain) and managing director of Calor Gas, the Group's principal UK operating subsidiary. He relinquishes his appointment as managing director of Calor International, Mr. R. F. L. Davies has taken up the new position of executive director (Finance), Calor International, responsible for operations in the Republic of Ireland, Northern Ireland and Germany. Mr. F. De Camps, who retired in 1978, has become director of Trade Relations and has given up his line responsibilities as director and general manager of Calor Gas. Mr. A. Warner has been elected operations director and Mr. R. J. Barry sales and marketing director of Calor Gas.

Mr. Fernley A. Parker, British Vita Group chairman, has been elected president of the FURNISHING TRADES BENEVOLENT ASSOCIATION. Mr. Parker succeeds Mr. Arthur Buckley, also of British Vita and now retired, who held the office as president for 10 years.

Mr. Tom Goldberg has been appointed managing director of CLARKE WOOD STRUCTURAL, part of the Airtel Group. He succeeds Mr. Fred Witham who having reached the age of 60, now wishes to concentrate upon his duties as director of the company's technical sales division. Mr. Witham remains as a director of the company. At the same time Mr. T. Triance has been promoted to the board and becomes the new financial director.

Mr. M. A. F. Reeve and Mr. M. R. Hobson have resigned from the board of REA BROTHERS. Mr. Hobson will act on a part-time basis as a consultant to certain subsidiaries. He has been appointed to the boards of Rea Brothers (Insurance) and Rea Brothers (Life of Man) and will continue as a director of Rea Brothers (Guernsey).

Mr. S. Edwards, chief executive of the steel division of DUPONT, has been appointed a director of the company.

Mr. W. C. V. Smith has been appointed a director of the company and Mr. C. F. Smith becomes secretary of HUME CORPORATION. Mr. H. A. Fane has been made managing director of Industrial Funding Trust, a subsidiary of Hume Corporation. Mr. R. S. Wood and Mr. M. P. O'Connor have joined the board of Industrial Funding Trust and Mr. R. S. Wood has been appointed sales director. Mr. G. T. Black is now secretary of that concern.

Mr. David Gault, chairman of Gault, Shilling, Edson, Griffiths, Conservative MP for Bury St. Edmunds, Mr. Frank Narby, chairman of Intersect SA, Mr. Peter Twiss, president of Intersect SA and Mr. Donald Webster, president of Helix Investments have been appointed directors of EURO-CANADIAN SHIPPING INVESTMENT. The company has been established in the UK to provide investment, advisory and management services for Euro-Canadian shipowners, the parent concern of the East Group.

Mr. P. G. Nixon has been appointed chairman of FERRY PICKERING GROUP in place of Mr. G. E. Coe, who has retired from that post. Mr. J. P. Godfrey has been made a director of the company in addition to his position as assistant managing director of Ferry Pickering Sales.

Mr. J. M. Marshall has been appointed chairman of GROVENOR ESTATE COMMERCIAL DEVELOPMENT on the retirement of Mr. G. K. Ridley.

Mr. William J. Reid has been made international sales director of HUWOOD. Mr. Reid will be responsible for all international sales and has taken up the new post on the HUWOOD divisional board.

Mr. George C. Hodgson has been elected chairman of the BRITISH AEROSOL MANUFACTURERS' ASSOCIATION, a position previously held by Mr. Richard Knolly.

Mr. Adrian W. Huxham has been made director of marketing and sales for H. FINE AND SON.

MGM ASSURANCE has appointed Mr. Raymond W. Davies a director. He succeeds as chairman of the Investment Committee, Mr. H. D. McFarlane, who retired as a director at the annual meeting.

Mr. Philip Shelbourne has resigned from the Board of EAGLE STAR HOLDINGS and EAGLE STAR INSURANCE following his appointment as chairman of the British National Oil Corporation.

Mr. L. E. C. Tarrant has been appointed managing director of OCEAN INTERNATIONAL.

Mr. Anthony Y. C. Yeh and Mr. Donald A. Park have been appointed non-executive directors of HUNT OIL COMPANY.

Dr. E. ANTHONY COPP, FORMERLY OF SALOMON BROTHERS has joined the firm as VICE-PRESIDENT OF CORPORATE FINANCE.

2900 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202
(214) 744-7027 TELEX: 730239

Mr. Douglas Denny has been appointed an executive director of BESTOBELL.

Mr. James K. Fordyce has been appointed to the Board of WHITE HORSE DISTILLERS from his present position as the company's production manager.

Mr. Roydon G. Hine has been appointed to the Board of THOMAS BORTHWICK AND SONS, a managing director of Matthews (Butchers), a subsidiary.

Mr. J. R. R. Barbour-Smith, Mr. P. M. Dalton, Mr. R. McLeod, Mr. R. Redfern, Mr. R. C. Richardson and Mr. D. B. Skinner have been appointed principals of CAPLE-CURE MYERS, stock brokers.

Mr. Fred Cooves has been appointed director, fleet and leasing, BSG INTERNATIONAL.

TURNBULL GIBSON AND CO. has appointed Mr. P. J. Hughes a director.

Mr. Terry Howe has been appointed an associate director of CHARLES BARKER CITY. He will continue in his present position as media manager-Annual.

Mr. H. T. W. Janson has been appointed a director of the PROVINCIAL INSURANCE COMPANY and the PROVINCIAL LIFE ASSURANCE COMPANY.

Mr. John Hemmingsway and Mr. Robert E. Wilson have joined the Board of HOWARD MACHINERY. Mr. Hemmingsway, a director of the company, is a solicitor practising in the financial area, and Mr. Wilson is managing director of Howard Rotavator S.A. in France.

Mr. J. R. O'N. Martin has resigned from the Howard board, continuing as a director of J. Mann and Son, a subsidiary of Howard Machinery.

ASSOCIATED LEISURE has made the following appointments: Mr. B. Marks has become commercial director of Associated Leisure Sales, based in Crickleywood, London. Mr. G. L. Hunt has been appointed sales director-Midland region of Associated Leisure Sales, Warrington, Lancashire. Mr. R. Bradley, a director of Holmark Coin Equipment has also been appointed a director of Associated Leisure (Amusement Machines).

Further to a Board meeting held on July 3, the following alterations have taken place at EDINBURGH GENERAL INSURANCE SERVICES. Following the sale of the Birmingham and Midland Counties Trust holding in EGIS, Mr. Graham Ferguson Lacey has resigned as chairman and Mr. G. J. Ward has resigned as a director. Mr. Dorey P. Dorey has been appointed chairman and continues as chief executive and Mr. Eugene Patry has been appointed a director.

Mr. David Buckley has been appointed managing director of S.P. PRESSURES AND CHEMICALS, a member of the Halm Group.

FIRST WISCONSIN NATIONAL BANK OF MILWAUKEE has appointed Mr. Gustavus P. Taylor, vice president at joint managing agency in London branch. He succeeds Mr. John S. C. Leavitt who is returning to the head office in Milwaukee.

Mr. Robert Clarke has joined ECOLOGICAL ENGINEERING, as technical director.

SCHOLL (UK) has made the following appointments: Mr. Michael J. Green has become finance director, from controller; Mr. Ben E. A. Tomlin has become director and general manager of the footwear division; and Mr. Graham R. White has been made sales and marketing director of the Footcare division.

Mr. Michael J. Cotton has relinquished his responsibilities as chief executive of INTERNATIONAL MILITARY SERVICES prior to his retirement last year. He remains deputy chairman. Mr. Roy Orford has become managing director and chief executive for the company. After his retirement in December, Mr. Cotton will continue as non-executive deputy chairman.

Mr. J. F. Nelson has been appointed to the board of KLEINWORT-BENSON. Mr. A. C. Mortimer has joined the board of Kleinwort Benson Investment Management. Dr. M. C. Baker, Mr. R. Boden, Mr. M. Fleming, Mr. A. J. H. Saunders and Mr. W. P. Wright have become assistant directors of Kleinwort Benson and Mr. A. P. Baker, Mr. N. R. Bennett and J. H. Beckell have been made assistant directors of Sharpe Pixley.



Gold Fields Group

JUNE QUARTERLIES

Afterwards published by the Registrar of Companies in South Africa

DEEKLRAAL GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 99,540,000 shares of 20 cents each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Six months ended 30/6/1980
Gold:			
Ore milled (t)	180,000	150,000	330,000
Gold produced (kg)	1,650	1,650	3,300
Yield (g/t)	9.2	11.0	10.1
Price received (R/kg)	13,744	16,228	14,986
Revenue (R/million)	50,89	57,20	54,59
Cost (R/million)	40,24	35,58	38,50
Profit (R/million)	10,65	21,62	16,09
Revenue (R'000's)	5,108	5,720	5,459
Cost (R'000's)	2,021	1,765	1,917
Profit (R'000's)	1,883	2,846	2,542

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R2.3 million.

NO. 1 SUB-VERTICAL SHAFT: The excavation of the south main shaft chamber has been completed and foundations are being cast. The rock winder was commissioned at the end of the quarter. Ropes having of the shaft were put in place and the shaft is now being developed. Work has commenced on the installation of the pumps in the 11 level pump chamber.

DEVELOPMENT: Ventersdorp Contact Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Deepland Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

In addition 197 metres were advanced in the area held under prospecting permit. 35 metres were sunk on the Ventersdorp Contact Reef horizon passing 9.4 g/t. A 100 ft. option agreement was entered into with Gold Fields of South Africa Limited, in terms of which the company has the right, until 28 September 1984, to prospect for an area of approximately 11 hectares of the farm Deekraal No. 142 I.O. adjoining the northern boundary of the mining lease area, with the option to either purchase the leased rights thereof or to acquire the right to mine the area, has been extended by increasing the area under option to approximately 107 hectares.

On behalf of the board
R. A. Plumbidge
C.T. Fenton } Directors

8 July 1980.

EAST DRIEFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 64,510,000 shares of R1 each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Six months ended 30/6/1980
Gold:			
Ore milled (t)	645,000	630,000	1,275,000
Gold produced (kg)	5,620.9	5,922.2	11,543.1
Yield (g/t)	8.7	9.4	9.0
Price received (R/kg)	13,689	17,282	15,537
Revenue (R/million)	205,43	273,32	238,58
Cost (R/million)	32,48	32,63	32,76
Profit (R/million)	172,95	240,69	205,82
Revenue (R'000's)	122,506	132,506	125,006
Cost (R'000's)	21,212	20,555	21,767
Profit (R'000's)	111,293	151,951	103,239

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R45.1 million.

SHAFTS: No. 2 Sub-Vertical Shaft: One of the winches has been commissioned and installation of the other hoisting equipment is proceeding. The shaft was sunk 94 metres to a depth of 96 metres below the collar using a temporary sinking hoist. No. 18 Service Shaft: The hoist is being prepared for commissioning. No. 24 Service Shaft: The hoist chambers and the headgear portion of the shaft are being excavated. No. 5 Shaft: The access road has been completed and site preparation is in progress.

DEVELOPMENT: Main Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Ventersdorp Contact Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Carbon Leader
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

On behalf of the board
R. A. Plumbidge
C.T. Fenton } Directors

8 July 1980

KLOOF GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 30,240,000 shares of R1 each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Six months ended 30/6/1980
Gold:			
Ore milled (t)	600,000	520,000	1,120,000
Gold produced (kg)	7,268.6	7,532.6	14,801.2
Yield (g/t)	12.1	14.5	13.3
Price received (R/kg)	13,889	16,228	15,058
Revenue (R/million)	202,53	238,58	220,56
Cost (R/million)	43,21	37,59	40,40
Profit (R/million)	159,32	200,99	180,16
Revenue (R'000's)	101,26	119,29	110,26
Cost (R'000's)	21,804	18,546	20,150
Profit (R'000's)	79,456	100,743	90,110

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R65.5 million.

SHAFTS: No. 3 Shaft: Damage to the shaft caused by an accident on 18 March 1980, has been repaired and the shaft was recommenced on 28 May 1980. No. 4 Sub-Vertical Shaft: The headgear portion of the shaft has been excavated and equipped and one hoist has been installed. Preliminary sinking has been carried out 71 metres below the collar. No. 5 Shaft: The shaft was sunk 73 metres to its final depth of 356 metres which is 17 metres below 28 Level. 28 Level Station has been cut and supported. Preparations for equipping are in progress.

DEVELOPMENT: Ventersdorp Contact Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

On behalf of the board
R. A. Plumbidge
C.T. Fenton } Directors

8 July 1980

WEST DRIEFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 14,052,160 shares of R1 each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Year ended 30/6/1980
Gold:			
Ore milled (t)	675,000	675,000	2,700,000
Gold produced (kg)	11,473.4	11,473.4	45,883.2
Yield (g/t)	17.0	17.0	17.0
Price received (R/kg)	13,873	16,228	15,058
Revenue (R/million)	236,70	265,22	222,51
Cost (R/million)	37,11	35,03	36,07
Profit (R/million)	199,59	230,19	186,44
Revenue (R'000's)	159,774	195,227	160,776
Cost (R'000's)	25,049	23,645	25,080
Profit (R'000's)	134,725	171,582	135,696

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R3.6 million.

PRODUCTION: A fire was detected on the Carbon Leader horizon in the No. 2 Shaft area on 30 June 1980. The fire is being tackled off and the fire is being allowed to burn itself out. Production is not expected to be completely stopped.

CAPITAL WORKS: No. 4 Shaft: The excavation of 12 level pump chamber has been completed and construction work is in progress. Excavation work continues on the Level pumping layout.

DEVELOPMENT: Carbon Leader
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Ventersdorp Contact Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Main Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

North Leader
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

On behalf of the board
R. A. Plumbidge
C.T. Fenton } Directors

8 July 1980

LIBANON GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 7,937,300 shares of R1 each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Year ended 30/6/1980
Gold:			
Ore milled (t)	420,000	420,000	1,680,000
Gold produced (kg)	2,800.0	2,800.0	11,200.0
Yield (g/t)	6.7	6.7	6.7
Price received (R/kg)	13,889	16,228	15,058
Revenue (R/million)	38,870	45,466	42,430
Cost (R/million)	31,81	30,25	31,03
Profit (R/million)	6,322	15,210	11,400
Revenue (R'000's)	38,870	45,466	42,430
Cost (R'000's)	31,810	30,250	31,030
Profit (R'000's)	6,320	15,216	11,400

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R3.6 million.

SHAFTS: No. 4 Sub-Vertical Shaft: The shaft was sunk 69 metres to a depth of 1,233 metres below collar. No. 5 Service Shaft: The installation of hoisting equipment is proceeding. No. 4 Service Shaft: Excavation of the headgear portion of the shaft is complete and 4 metres of preliminary sinking has been carried out.

DEVELOPMENT: Main Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Ventersdorp Contact Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Elburg Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

Kimberley Reef
Advanced (m)
Sampled (m)
Slope width (cm)
Av. value: gold (g/t)
cm/g

On behalf of the board
R. A. Plumbidge
C.T. Fenton } Directors

8 July 1980

DOORFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 10,000,000 shares of R1 each, fully paid.

OPERATING RESULTS:	Qtr. ended 30/6/1980	Qtr. ended 31/3/1980	Year ended 30/6/1980
Gold:			
Ore milled (t)	380,000	380,000	1,440,000
Gold produced (kg)	3,033.7	3,033.7	12,135.7
Yield (g/t)	8.0	8.0	8.0
Price received (R/kg)	13,889	16,228	15,058
Revenue (R/million)	42,176	46,371	44,300
Cost (R/million)	14,159	13,509	13,834
Profit (R/million)	28,017	32,862	30,466
Revenue (R'000's)	42,176	46,371	44,300
Cost (R'000's)	14,159	13,509	13,834
Profit (R'000's)	28,017	32,862	30,466

FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 1980 was R7.8 million.

SHAFTS: No. 4 Sub-Vertical Shaft: The shaft was sunk 69 metres to a depth of 1,233 metres below collar. No. 5 Service Shaft: The installation of hoisting equipment is proceeding. No. 4 Service Shaft: Excavation of the headgear portion of the shaft is complete and 4 metres of preliminary sinking has been carried out.

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FINANCIAL RESULTS (R'000's):
Working profit: Gold
Net sundry revenue

Capital expenditure: The unapportioned balance of authorised capital expenditure at 30 June 198

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

MINING

New roof supports on trial

TWO NEW types of powered supports are now on underground trials. One is a 300 ton four leg shielded chock support and the other a 450 ton four leg chock shield type.

Both installations, one at Lea Hall and the other at Maltby Colliery, are reported to be performing well.

Both supports embody advanced design features. Hydraulic restoration on the 300-ton support enables it to be advanced while still in contact with the roof. The 450-ton support also incorporates hydraulic restoration and has a design of linkage which will reduce stress, size of members and weight.

Each support has four robust legs, either hydro-mechanical or full-hydraulic double telescope.

Skin-to-skin contact gives protection against flushing of materials from the roof while a simple valve gear offers unit, adjacent or batch control.

FSW has also received an order for a hydraulic supply system at Lea Hall Colliery to provide the power to the coal-face where the new supports are being installed.

The company's hydraulic systems have been developed to meet all new requirements of safety and efficiency. Pumps are air-cooled with positive internal lubrication and built-in anti-reverse equipment. They are driven by NCB motors.

Fletcher Sutcliffe Wild, Huddersfield, 0924 27 6363.

Drilling less difficult

SUCCESSFUL during drilling in the difficult conditions experienced at the Wheal Jane Mine near Truro, Cornwall, Orebit Drilling Company has been using extra thin-walled core barrels, diamond bits and reaming shells during exploration work to assess the tin ore reserves available for possible extensions.

Performance achieved by the technique has been outstanding with core recovery generally in excess of 95 per cent.

In-the-hole drilling equipment for the contract, which started last November, is being supplied by Craelius Company, Daventry, and is mounted on a screw-feed drilling rig more robust and better suited to the conditions than hydraulic equipment.

In selecting the Craelius equipment used for this project, Orebit Drilling gave special attention to ensuring that peripheral rotation speeds and bits were properly matched. As a result, drilling outputs equivalent to 15 metres in an eight hour shift have been regularly achieved, although other factors including moving between drilling sites resulted in an average 40 metres/week.

Excellent performance was achieved in spite of the difficult drilling conditions at Wheal

Jane, and throughout Cornwall generally. At Wheal Jane the rock is mainly shale with quartz bands. The lode formations contain cassiterite with sulphides of iron, zinc and copper in a matrix of quartz, tourmaline, chlorite and fluorite.

Craelius is at Long March, Daventry, Northants. 03272 3431.

PACKAGING

Milk churn alternative

FUNCTIONING AS a transit pack and dispenser, and introduced as an alternative to the conventional milk churn, is a one-trip milk container called Churnbox launched by Bowater Packaging, Portland House, Stag Place, London, S.W.1. (01-834 9444).

Corrugated board outer cases contain five gallon capacity polythene bags (obviating the expense of churn cleaning and maintenance) and the pack is fitted with a pouring spout for simple dispensing. When empty, both the bag and the box can be thrown away.

ENERGY

Power package solves problems now

GROWING INTEREST is being shown in Europe and in other power-hungry countries for power plant that makes the fullest possible use of fuel consumed, in contrast with most of the very large central generating plants which reject a very high proportion of the heat contained in exhaust steam and condensate to cooling water.

Schemes for the combined production of power and hot water for district heating are very well established in the Scandinavian countries, particularly Sweden. Even in Britain, the traditional reluctance of the Generating Board to any departure from its commitment to a programme of increasingly huge central generating plants is being gradually overcome.

In May, the Hereford industrial combined heat and power scheme was officially opened and now Midlands Electricity Board is discussing a proposal under which, as in Hereford, the waste heat from diesel engines driving the generators will be recovered for use in local heating services.

The latter scheme, at Fort Dunlop, will generate 25 Megawatts. But it will also have auxiliary boilers running on fluidised bed combustion units which can cope with the poorest solid fuels, as well as with

municipal and other wastes and feed system similarly packaged.

Sizes run from 1 to 3, 5, 7, 10 and 10MW with coal intake running from 0.7 to 5.4 tons/hour. Design has been carried out to permit a 12-month delivery cycle and operation of both boiler and turbine has been simplified to an extent which will make operation and maintenance in third world countries no problem. The partnership expects the developing nations to be a major outlet for its product.

Through its U.S. associate, the group is exploring the packaged market in both North and South America and Johnston Boiler Company in the U.S. is supplying three fluidised boilers to Souza Cruz (a BAT subsidiary) to burn high ash coal for steam production.

Orders are under negotiation in India for these packaged power units, also to burn coal with a very high ash content. Stone Platt Electrical agents in many countries are offering the packages initially to help the production line to get going quickly, but gradually the association will have its own agents in most areas.

Comecon countries, Denmark and Germany and already covered. There is thus a strong possibility that, for once, an idea

pioneered in Britain—fluidised bed combustion of coal—will provide many new jobs over the course of the next ten years as the shortage of hydrocarbon fuels continues to bite more deeply all over the world.

Like it or not, the Generating Board planners will have to take into consideration the short lead-times of power units which can be set up in under two years and that at capital costs 15 to 20 per cent less than the "dinosaurs." Coal consumption for equivalent energy output is about halved.

The fluid bed approach also solves most of the environmental problems without the need for expensive fume cleaning equipment.

And since every bit of the equipment for such plants can be built in Britain without need for imports, there is an equally strong argument for installing, say, 100 of these around the country to generate power and district heat rather than building one very large nuclear plant of U.S. design, for which a great deal of U.S.-manufactured components would have to be imported.

Stone Platt Fluidfire, Penneft House, Pensnett Trading Estate, Brierly Hill, West Midlands DY6 7PP. 0394 268566.

BOATS

Improved diesel engines for small craft

AS PART of a development programme for its PRO range of high-performance diesels, Volvo Penta will be introducing two new high-efficiency versions of their 40 series 3.6 litre engines at the International Southampton Boat Show (September 15-20, 1980).

Available as either an inboard version or as an Aquamatic inboard/outdrive, these turbo-charged six-cylinder in-line engines have been fitted with after-coolers to increase the

power output by 19 per cent and decrease specific fuel consumption by some 10 per cent. As with the existing 40 series 3.6 litre turbocharged units, the new versions produce high torque throughout their speed range and run at very low noise levels.

The inboard version is designated the TAMD 40 and the Aquamatic inboard/outdrive the LOAD 40. The basic engine has a flywheel output of 155 horsepower at a speed of 3,600

r/min. The shaft-horsepower ratings, i.e. the usable power available at the end of the propeller shaft, of the different versions are dependent on the transmission system used. A notable feature of either is the increase in power for only an 8.6 per cent increase in weight: the TAMD 40 weighs only 1069 lb and the Aquamatic 1113 lb.

These engines are intended for installation in both leisure craft and commercial boats of

the displacement, semi-planing and planing types—applications requiring high torque over a wide range of engine speeds. The commercial versions of the engine, developing 120 horsepower at 3,000 r/min, are particularly suitable for applications requiring both performance and good overall fuel consumption, e.g. police boats and rescue craft.

Volvo Penta, Otterspool Way, Watford WD2 8HW. Watford 28544.

DATA PROCESSING

Databases expanding

FOLLOWING the Pergamon Press acquisition of InfoLine, the new company to be known as Pergamon-InfoLine has entered into an exclusive agreement with Scicon Computer Services, a subsidiary of British Petroleum, to provide the computers and to co-operate in database activities and on-line services.

Pergamon-InfoLine and Scicon will also be working jointly to implement new databases from the scientific, technical, medical

and educational information published by Pergamon Press and others.

Work is under way in the U.S. on a new development in the lucrative "patents" market and one of the first UK developments will be a completely new energy database. This database will be of value to research workers, engineers, civil servants and politicians.

Pergamon Press, Headington Hill Hall, Oxford OX3 0BW. 014 592 7700.

PROCESSING

Speeds image to plate

PICTORIAL MACHINERY says of its Autoprinter Type 58 that it can nearly halve the time needed to progress a job from camera to plate.

British designed and developed it meets the demand for a highly productive image imposition machine.

Micro-processor control makes tape preparation quick and straightforward, and controls the movement of the unit holder during the actual run.

Unlike standard step and repeat machines, Type 58 is able to change images after each exposure cycle so that plates having different images can be prepared. This is made possible by the ability to impose anything from a magazine catalogue sheet to a complex all over wrapping paper design, as well as handling normal step and repeat work—direct to plate, accurately and automatically.

Pictorial Machinery, 49 Gatwick Road, Crawley, Sussex RH10 2UE. 0293 541611.

SECURITY

Watch for intruders

A SECURITY alarm system claimed to provide constant and economical monitoring of offices, factories and homes has been brought into operation at Maidstone, Kent, by Crusader Alarms, part of Rentokil's security division.

Named MIDAS (Monitored Intruder Detection Alarm System) comes into use at a time when Kent County police are ending the facility of direct police alarm lines into police stations. The main unit at Maidstone is an Ademco 673 digital receiver-printer.

Up to 16 subscribers can be served by one line to MIDAS from every major town in Kent and 1,000 subscribers can be served by a single wire from MIDAS to Crusader's central monitoring station in Peckham, South London.

Each installation can provide six types of security information all around the clock, checking conditions at seven-second intervals and, it is claimed, reducing substantially the number of false alarms.

The information provided might include legitimate entering and leaving of premises by staff, a criminal break-in, an outbreak of fire, or a failure of freezers, thermostats or boilers.

The tone signals to the Peckham monitoring station, each coded specifically for a subscriber's premises, are carried by Port Office wire. It is claimed that each interrogation and reply between the monitor and the client's alarm box takes less than half a second.

Details from Crusader Alarms, 7 Albion Place, Maidstone, Kent (0622 677031).

COMPONENTS

Displays seen from a distance

MINIATURE packages 6.6 mm (0.26 in) high contain single character LED displays. GPD700 units are available from Plessey Optoelectronics and Micro-wave at Towcester (0287 50312). This product has been designed to replace small filament-type displays, particularly as a result of American customer requests. Plessey expects a growing demand for the GPD700 since it is pin and mechanically compatible with the CMS-29 filament display, previously produced by Chicago Miniature but now withdrawn.

The GPD700 incorporates all the advantages of the internationally known GPD 400, 500, and 600 series, plus the ability to stack devices on 7.6 mm (0.3 in) centres. It is fully sunlight visible and is hermetically sealed into a ceramic package.

GENERATORS

UP TO 500 KVA

WATER PUMPS

UP TO 3 INCHES

MANUFACTURED BY

ATLANTA Engineering Ltd., Hemsworth Trading Estate, Hemsworth, Wetherby, West Yorkshire WF16 2JL. England. Tel: 01937 52222. Telex: 881233 ATLANTA G. Telegrams: ATLANTA G. SURREY.

INSTRUMENTS

Tachometer simple to use

FROM Russet Instruments of Richmond, Surrey, comes a digital hand tachometer which enables contactless speed measurements to be carried out in the range of 100-20,000 rpm. The distance between the tachometer's measuring head and the object to be measured can be between 50-200 millimetres with an angle of incidence of 39 degrees. Accuracy is better than 0.1 per cent of the measured value.

Designated the DIER 905 and manufactured by Jacquet in Switzerland, the tachometer operates on the reflective principle and has four automatically selected ranges, which are under micro-processor control.

Lightweight and extremely simple to use, the DIER 905 would be directed at a reflective marker which is attached to the object to be measured. A reading of the speed is instantly provided by a four-digit liquid crystal display. A function LED indicates whether the reflection from the object is adequate to give reliable measurement.

RIL House, Sheen Park, Richmond, Surrey. 01-940 9391.

HANDLING

Shows the weight

WEIGHING capacities up to 230 lb can be provided by the latest hanging scales marketed by Waymaster of Meadow Road, Reading RG1 5LB (0794 599444). The scales (known as the 165 Series) have stainless steel bodies and hooks and have 6 1/2 inch diameter dials. They have been designed to withstand rough handling and corrosive atmospheres and may be single or double faced with Imperial or metric calibrations.

In a report on yesterday's page, describing a new Clearspan chart recorder from Kent Industrial Measurements, the type number should have been given as P690 and the accuracy as 0.5 per cent of span.

London Clearing Banks' balances

as at June 18, 1980

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1 and 2 are prepared by the London clearing banks. Tables 1 and 2 cover the business

of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures

produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of County, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

	Total outstanding	Change on month
	£m	£m
LIABILITIES		
Sterling deposits:		
UK banking sector	8,084	+114
UK private sector	35,886	+361
UK public sector	501	+114
Overseas residents	4,240	+186
Certificates of deposit	2,123	+53
of which: Slight	50,635	+600
Time (inc. CDs)	19,285	+104
	31,349	+703
Foreign currency deposits:		
UK banking sector	7,185	+172
Other UK residents	1,375	-244
Overseas residents	17,283	+560
Certificates of deposit	1,470	+69
	27,414	+557
Total deposits	78,049	+1,157
Other liabilities*	12,238	+199
TOTAL LIABILITIES	90,288	+1,356
ASSETS		
Sterling		
Cash and balances with Bank of England	1,326	-40
Market loans:		
Discount market	2,187	-430
UK banks	11,381	+160
Certificates of deposit	1,737	+103
Local authorities	881	-12
Other	582	+94
	16,707	+86
Acceptances		

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL	BARCLAYS	LLOYDS	MIDLAND	NATIONAL WESTMINSTER	WILLIAMS & GILLYN
	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing
	£m	£m	£m	£m	£m	£m
LIABILITIES						
Total deposits	78,049	+1,157	22,009	+564	14,290	+164
ASSETS						
Cash and balances with Bank of England	1,326	-40	366	-52	261	-54
Market loans:						
UK banks and discount market	19,756	-491	5,745	+92	3,341	-240
Other	14,894	+353	4,208	+183	3,602	+69
Bills	1,780	+113	421	+62	235	+43
British Government stocks	1,678	+809	442	+286	171	+43
Advances	40,118	+941	11,681	+35	6,385	+409

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL	BARCLAYS	LLOYDS	MIDLAND	NATIONAL WESTMINSTER	WILLIAMS & GILLYN
	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing	Out-standing
	£m	£m	£m	£m	£m	£m
LIABILITIES						
Eligible liabilities	31,739	+576	9,528	+338	5,312	+212
Reserve assets	4,005	+63	1,253	+26	666	+16
Ratio (%)	12.5	-0.2	12.7	-0.2	12.5	-0.2

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

	June 18, 1980	Change on month
	£m	£m
1—Banks		
Eligible liabilities		
UK banks		
London clearing banks	31,913	+891
Scottish clearing banks	3,422	+95
Northern Ireland banks	1,174	-2
Accepting houses	2,465	+55
Other	7,706	+119
Overseas banks		
American banks	5,001	-76
Japanese banks	392	+13
Other overseas banks	3,955	+129
Consortium banks	415	+11
Total eligible liabilities*	56,465	+1,236
Reserve assets		
UK banks		
London clearing banks	4,028	+65
Scottish clearing banks	440	+4
Northern Ireland banks	170	+5
Accepting houses	342	+12
Other	1,011	+16
Overseas banks		
American banks	661	-
Japanese banks	55	+1
Other overseas banks	574	+9
Consortium banks	63	-
Total reserve assets	7,343	+111
Constitution of total reserve assets		
Balances with Bank of England	475	+19
Money at call:		
Discount market	3,413	-228
Other	332	+56
UK, Northern Ireland Treasury Bills	1,260	+117
Other bills:		
Local authority	436	+78
Commercial	1,034	+13
British Government stocks with one year or less to final maturity	483	+56
Other	-	-
Total reserve assets	7,343	+111

	June 18, 1980	Change on month
	£m	£m
Ratios %		
UK banks		
London clearing banks	12.6	-0.2
Scottish clearing banks	12.8	-0.3
Northern Ireland banks	14.5	+0.5
Accepting houses	13.9	+0.2
Other	15.1	-
Overseas banks		
American banks	13.2	+0.2
Japanese banks	14.1	-0.1
Other overseas banks	14.5	-0.3
Consortium banks	15.2	-0.3
Combined ratio	12.9	-0.1

N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to

	June 18, 1980	Change on month
	£m	£m
2—Finance houses		
Eligible liabilities	537	+20
Reserve assets	54.9	+1.6
Ratio (%)	10.2	-0.1

Special deposits at June 18 were nil (unchanged) for banks and nil (unchanged) for finance houses. * Interest-bearing eligible liabilities were £38,940m (up £1,367m).

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Write to James Pollock A.R.I.C.S., Industrial Development and Estates Manager, Livingston Development Corporation, LIVINGSTON, Scotland. Telephone Livingston (0589) 31177. Telex 727178. London 01-930 2631.

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FINANCIAL TIMES SURVEY

Wednesday July 9 1980

IRELAND

After almost a decade of vigorous growth Ireland's economy has become abruptly faced with a number of major problems—not all of them stemming from the world recession. Alongside these remains the seemingly unresolvable political problem of a divided Ireland.

Economic issues to the fore

By Stewart Dalby
Dublin Correspondent

TO ALL appearances Ireland has passed through a year of great change. In the domain of politics it received a new Prime Minister in the shape of Mr. Charles Haughey, a man who was a contender for the job as long ago as 1968 and who might well have grasped the premiership before now had his career not received a sharp setback because of his involvement in an arms trial in 1970.

In the past year too Ireland set up its own currency, the Irish pound, and went on to cut the historic 150-year-old parity link with sterling in a move which had great symbolic importance. By joining the European Monetary System—the decision which occasioned the break with sterling—Ireland saw itself as declaring its economic maturity. It felt that its economy had become dynamic enough to loosen further the ties with Britain and to associate itself more closely with the more thriving economies of the Continent.

Beneath the changes, however, some old headaches have remained.

Like a dull persistent throbbing which simply will not go away the intractable problem of Northern Ireland refuses to be solved. Violence continues almost daily in the six-counties UK province as Mr. Haughey's ruling Fianna Fail party in Dublin maintains that there can be no lasting peace until reunification of the two parts of Ireland is achieved by peaceful means. With the majority of Protestants in the province, through their elected representatives, adamantly refusing to have anything to do with the Republic, and with the British Government seemingly agreeing with them that the union should be preserved, the chances of progress towards the Fianna Fail goal are remote.

Perhaps nothing, over the long term, can stir feelings among many Irishmen so passionately as the Republican cause. But a sharper and more immediate headache—one which is certainly to the fore in Mr. Haughey's mind, since it could affect his chances of reelection—came the middle of 1980—is the parlous state into which the economy has fallen.

Ireland has just experienced a decade of unparalleled growth and prosperity, even allowing for the recession in 1974-75 set off by higher oil prices. At the root of the boom, which many tagged the 'Irish economic miracle' (an epithet which in retrospect was perhaps not so clever), lay Ireland's membership of the Common Market.

As a net exporter of food, particularly beef and dairy products, Ireland was well placed to benefit from the Common Agriculture Policy when it joined the EEC in 1973.

With special transitional prices, agricultural incomes soared. Helped by regular devaluations of the Irish Green

pound, incomes in the farm sector increased by 140 per cent in the five years 1973-1978.

Membership of the EEC also meant, however, that industrialisation could proceed rapidly. Attracted by a generous package of financial incentives and a system whereby exports were not taxed, a large number of foreign companies, particularly Americans, set up in Ireland. This meant in turn that exports of manufactured goods increased quickly.

Reduced

Ireland has still not reached the point where it has a positive trade balance, but one effect of the growth of manufacturing industry has been that dependence on Britain and its cyclical economy has been reduced. Fifteen years ago 65 per cent of exports went to the UK; the figure now is less than 50 per cent.

By 1977 the economy was firing well on both the agricultural and industrial fronts. To regain power from the Fine Gael-Labour Party coalition Fianna Fail promised to prime the pump further and reduce unemployment altogether.

Fianna Fail was returned to power in 1977 and proceeded to implement its election promises. Taxes were cut, domestic rates were abolished, Government spending went up and the budget deficit too.

There were always at least two things which could have gone wrong for the Government. First, in an open economy where trade accounts for 95 per cent of Gross National Product (GNP) and where there are few natural energy sources, there was the danger that increases in the price of oil would bring un-

bearable pressure on the balance of payments.

The second worry was that by running up huge budget deficits (the Public Sector Borrowing Requirement (PSBR) was 14 per cent of GNP at the end of 1979) as well as allowing generous wage increases on top of tax cuts, excess demand would build up and the effect on the balance of payments would be the same—an unsustainable balance of payments deficit.

Both phenomena did occur, so that by the end of 1979 the balance of payments deficit was a near-record £1740m. This was untenable by any standard since it was not covered by capital inflows and invisible earnings and meant drawing on reserves.

The problem was made worse, however, in that Ireland had an independent currency and no longer had the protection of being de facto part of the sterling area. Membership of an effective fixed exchange rate system like the EMS entails greater balance of payments discipline if the Irish pound is not to come under pressure for devaluation.

The central bank, with an ability to exercise an independent credit policy for the first time, has practised tough discipline. Last year it refused to allow credit to expand by more than 18 per cent (after a 36 per cent rise in 1978).

This year it has laid down a 13 per cent limit. But credit control in itself is unlikely to be enough to remedy the balance of payments. One of the first things Mr. Haughey did on taking over from Mr. Jack Lynch last December 16 was to issue stern warnings about the country living beyond its means. In the budget an attempt was

made to cut spending, so that if all goes according to plan the PSBR should drop to just over 10 per cent.

There are many, however, who say that Mr. Haughey, who has been even tougher, since the economic situation could worsen before it gets better. The central bank among others has forecast that the balance of payments will not improve because of the recent oil price increases. The likelihood is that the country will have to borrow abroad by next winter.

It will of course be in a much happier position if it can borrow against a background of oil of its own. Both Government and industry are nervously awaiting the results of drilling in the Porcupine Bank in the Atlantic, some 120 miles off Galway in the west of Ireland. Last year the Aran Energy/BP consortium made a find which flowed at a rate of 3,500 barrels per day. On the basis of this discovery the British stockbrokers Wood Mackenzie reckoned there might possibly be a field of 300m barrels in the Porcupine.

Collateral

It would be the mid-80s at least before any oil could be brought ashore. Indeed, because of the depth of the water (the Aran/BP field was at 1,200 ft twice the depth of the deepest North Sea oil well) and the distance from shore, it may well be that the oil, assuming it is there, will not be commercially viable for some time. If oil is found, however, it will be useful loan collateral.

Again, though many economists will be watching Mr. Haughey to see whether he does borrow against the oil—



and if he does, whether he borrows the right amount—or whether he puts the country more greatly into debt for development purposes (its credit rating is still very good despite increases in loans in the past three years).

In fact, although Mr. Haughey keeps saying that solving the problems of Northern Ireland is his top political priority, his chances of being re-elected will more likely turn on his management of the economy.

This year the economy will probably grow by only one half of one per cent, if at all, and personal incomes could drop by as much as 2 per cent. Inflation will probably run at some 20 per cent.

Latest opinion polls have shown Mr. Haughey running neck-and-neck with Dr. Garret FitzGerald, the leader of the main opposition party, Fine

Gael. In terms of personal popularity, Fianna Fail has an unprecedented overall majority of 16 in the 148 seat Dail (Parliament) despite the by-election results, so in theory Mr. Haughey could run to the end of the term in 1982.

If Mr. Haughey has inherited a difficult economic and by extension electoral situation from his predecessor, however, the short-lived boom was not entirely a disaster—creating more problems than it solved.

If nothing else, the surge in personal incomes in the late 1970s did wonders for Irish self-esteem. It helped lessen the sense of inferiority that Ireland retains towards Britain, its long-time colonial master. In turn, Irish Prime Ministers have been able to deal with British leaders more even-handedly as equals.

Mr. Haughey has himself, since taking office, stressed that

the Republic's underlying economic well-being is one part of his general theme of trying to persuade the Protestant community in the North to have closer links with the Republic through consent and mutual self-interest.

So far he has had a very frosty response from both the Unionist leaders like Mr. Ian Paisley and from the British Government, which is pressing ahead with its so-called internal settlement for political devolution.

Mr. Haughey will undoubtedly pursue his claim for re-unification, or at least closer ties on federal lines. First, though, he has his economic worries and the problem of getting re-elected. Once those are out of the way, it may be possible to see the real cut of Mr. Haughey as a realistic Republican statesman and an efficient economic manager.

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IRELAND II

Tough decisions ahead as economy falters

IT WAS the Leader of the Opposition, Dr. Garret FitzGerald, who in a speech last winter first publicly suggested that a major oil crisis was on the way again—and added a warning that this time the Irish economy was much more vulnerable than in 1973. He had concluded, after an energy meeting in Paris, that the round of price increases then just beginning would be prolonged and substantial.

Dr. FitzGerald was right about that and it is becoming clear that his observations on the implications for Irish economic performance also had considerable validity.

The biggest single difference between 1973 and now is the size of Government borrowing. Ireland did not begin to run regular deficit budgets until the 1970s and the first substantial borrowing was undertaken in the wake of the 1973 oil price increases.

The idea was to tide the country over the worst of the consequent recession and to a large degree it worked. Employment, living standards and growth all held up better than they would have done had there been no resort to borrowing.

But if Ireland was slow to join the borrowers, it has shown little sign since of returning to the world of balanced budgets. Government borrowing last year was almost 14 per cent of Gross National Product (GNP) and will still be over 10 per cent in 1980 despite a real fall in non-pay spending.

At the same time, and doubtless connected with this high borrowing, the balance of payments deficit has increased, reaching £1740m (£665m) last year. As a proportion of GNP it represented a deficit exceeded only once before, in the early 1950s.

Rising oil bills—and Ireland relies on imports for over 70 per cent of its energy—mean this deficit is likely to remain around the same level in 1980. But it is clear that oil did not cause the deficit; it merely made a bad situation worse.

The blame for this state of affairs has become a central political question. The opposition says the Government rashly over-heated the economy in

order to fulfil irresponsible election pledges. Defenders of the policy say it would have worked had the oil crisis not intervened.

Most economists agree that Government policy in recent years has been "pro-cyclical" and the timing of elections has undoubtedly played a part in this. The net effect is that the economy was boosted when it was growing—and now that it faces difficulties Government finances dictate that deflationary policies must be pursued.

The turnaround is dramatic. Economic growth—3 per cent in 1979—is expected to fall to somewhere near zero in 1980. Consumer expenditure will decline by 3 per cent.

The central bank expects investment, which increased by more than 14 per cent last year, actually to decline in 1980, although some other forecasts are not so gloomy. Meanwhile inflation will rise at least five points to 18½ per cent.

But even this sharp degree of deflation is not expected to produce a dramatic improvement in national finances and the complaint has been heard that high public borrowing is squeezing out the private sector.

The downturn may indeed be sharper because of the tight

credit policies pursued by the central bank in its efforts to maintain the value of the Irish pound within the European Monetary System the bank has tightened its credit growth guidelines to 13 per cent for 1980.

The bank has also been the firmest advocate of serious attempts to reduce both Exchequer borrowing and the balance of payments deficit. This year, it warned in its quarterly bulletin, Ireland's credit-worthiness could soon be called into question on international money markets.

The country's credit rating is still high but this is thanks to that late start in the borrowing stakes. The bank fears the position could change soon. Official external debt has doubled in the past two years.

Doubled

The fear is that the new underlying strength in the Irish economy created by the growth in manufacturing industry could be damaged if corrective measures are not taken now.

But it is increasingly clear that those measures would be most effective in the thorny area of pay. There is little scope for more cuts in public services

and the Government has been forced to reduce the levels of personal taxation.

Negotiations for a new national wage agreement are getting under way but the omens are not good. Although there is no formal agreement on indexation, union leaders have become used to national agreements which cover cost-of-living increases fully.

They have rejected arguments from the Government that increased oil prices cannot be compensated for and from the employers that they cannot pay out for indirect taxes imposed by the Government. Nor is there a disposition to take personal tax reliefs into account.

Yet a repetition of the past two years, when public sector pay rose by more than 20 per cent a year, would rule out any possibility of a fall in Government borrowing or a return to counter-cyclical policies.

In these circumstances another national agreement cannot be taken for granted. Some observers believe the Government missed an opportunity by not calling for a public sector pay policy before the idea had been shot down in arguments between unions and employers.

BASIC STATISTICS

Area	26,600 sq. miles
Population	3.24m
GNP (1978)	£66,315m
Per capita	£16,940
Trade (1979)	
Imports	£24,314m
Exports	£23,499m
Imports from UK	£22,555m
Exports to UK	£11,688m
Currency	Irish punt
£1.4852 = £1 sterling	

Many believe that if the Government cannot get less than full indexation in a national wage agreement it will take its chances on a "free-for-all". Others think the uncertainty and the danger of increased industrial strife will ensure a collective agreement in the end.

Either way the bargaining is likely to be harder than in previous years. But with Dublin political gossip already speculating on an early election the degree to which long-term considerations will apply is again in doubt.

By a Correspondent

Foreign policy hinges on Brussels and Belfast

STRENGTHENING of its commitment to the Common Market and determination to bring about closer links between the Republic and Northern Ireland by any means other than terrorist violence are the two main objectives of the Irish Government's foreign policy.

They are more closely related than might seem on the face of it. Ireland's enthusiasm for the EEC stems in large measure—as in the case of some other smaller members—from unashamed self-interest. As a net exporter of food Ireland has benefited enormously from the Common Agricultural Policy (CAP). There is a widespread awareness of the bonanza which the CAP has meant for the country which goes well beyond just the politicians of all parties. This means there is not the ambivalence about the EEC that exists, for example, in Britain. Apart from the CAP, Ireland, as one of the poorer members of the Community has done well enough from the regional and social funds—and might do better still if these funds are boosted as many members of the European Parliament have called for.

But self-interest apart (and Irish Ministers can and do argue fiercely for farm price increases as Ministers from other countries strongly oppose them) Ireland is notably more communitarian in spirit than Britain.

Descendants

The Irish are active in Foreign Ministers' Councils partly because it is felt that this is one area where individual Ministers from smaller countries can make a contribution disproportionate to their size. Dr. Garret FitzGerald, leader of the Fine Gael, is one example which springs to mind as a politician who made an impact on the world diplomatic scene when he was Foreign Minister of the Fine Gael/Labour Party coalition and Ireland held the presidency of the Council of Ministers.

Ireland is also always ready to act as honest broker between the squabbles of the larger and stronger members. Mr. Jack Lynch, the previous Prime Minister, was singled out for praise by Mr. Roy Jenkins, the President of the EEC Commission, for his chairmanship of the Dublin summit last December. Even though that summit aborted over the question of Britain's budgetary contribution, Mrs. Thatcher, when asked, said she had found the Irish "helpful and sympathetic".

There are other psychological and practical reasons, however, why Ireland revels in its membership of the EEC. Symbolically it is seen to have altered Ireland's relationship with Britain. The prosperity which membership has brought has enabled Ireland further to loosen its ties with its former colonial master. Membership is somehow felt to have emphasised Ireland's sovereignty and independence vis à vis Britain. In turn, this greater sense of independence has been important in Ireland's dealing with Britain over Northern Ireland. On a practical level, Ministers from both Britain and Ireland meet all the time at councils. The EEC encourages closer contacts by its very nature. It did not pass unnoticed, more-

over, that at the recent Venice summit Ireland's Mr. Haughey and Britain's Mrs. Thatcher had a short bilateral meeting where it is thought they discussed the British Government's plans for limited devolution.

The closer links and the greater confidence among the Irish are important because successive Irish Prime Ministers have felt that Dublin's views on the North have not been considered or taken into account. Some British Governments in recent years have more or less snubbed Dublin, saying in effect that British policy in Northern Ireland is none of Dublin's business and repeating the accepted Unionist line that the problems of the North are for the British Government and the people of the province to sort out.

The position of Mr. Haughey's party doctrinally is that Ireland should be a united Ireland and that there should be a 32-county State. In its constitution, which was drawn up by a Fianna Fail Government, Ireland lays claim to the six counties of Northern Ireland as part of Ireland's sovereign territory.

Fianna Fail is the party of Eamon De Valera and those who opposed acceptance of the treaty which partitioned Ireland in 1921. Fine Gael, the main opposition party, is the descendant of those who accepted the treaty and set up its provision for two parliaments, one in Dublin and one in Belfast, and set up the Irish Free State in the South.

The Fine Gael position today is that they would like to see closer ties between the two parts of Ireland but on a confederate basis.

The most recent comprehensive Fianna Fail statement towards the North policy came in 1975. The party reaffirmed that its goal was re-unification of the two parts of Ireland by peaceful means. The party also called for a British declaration of intent to withdraw from Northern Ireland.

The document was drawn up when the party was in opposition, and even though it was

Mr. Lynch himself who called for the declaration of intent there was a persistent feeling that he was not entirely keen on the hard line.

He had, while Prime Minister from 1966 to 1973, introduced some tough anti-terrorist laws. When he became Prime Minister again in 1977 he was perceived to move ever so slightly away from the traditional Fianna Fail line by talking about an internal political initiative as a necessary first step.

He never repudiated the goal of re-unification by peaceful means, although he consistently condemned activities of the Provisional IRA and other terrorist groups. The Provisional IRA, whose political wing Provisional Sinn Féin is legal in both the Republic and Northern Ireland, regard themselves as the true descendants of the men who staged the Easter Rising in 1916 and declared the republic. Eamon De Valera was one of those men.

In the aftermath of the murder of Lord Mountbatten by the Provisional IRA last August, Mr. Lynch agreed with Mrs. Thatcher on tighter security co-operation between the two countries.

This is basically the situation which Mr. Haughey inherited when he took over from Mr. Lynch last December. Mr. Haughey confirmed the new security arrangements. These largely remain a secret but certainly include more checks by the Irish army and police on their side of the border on cross-border traffic. They are also thought to include over-flight rights along a narrow corridor by British army helicopters.

Mr. Haughey quickly moved to squash his image as a tougher republican than Mr. Lynch by condemning the Provisional IRA and all their activities. But he has moved slightly from Mr. Lynch's position on an internal settlement. He has recently said that the British Government's initiative

for political devolution, which was outlined in last week's discussion document, is doomed to failure.

Mr. Haughey appears to believe that the problem is not a question of finding a limited form of political devolution. He feels it is the existence of the state itself.

What he wants is to encourage the people of Northern Ireland to have closer links with the Republic by pointing out the advantages to them. He has talked of Northern Ireland's economic deterioration and Ireland's new-found prosperity. He has hinted at changing the constitution in matters like divorce and contraception. He has even suggested that he would not rule out, for an initial period at least, some kind of federal arrangement.

As part of this process he has tried to launch what he calls closer political co-operation with the British Government. At a first full-length and very cordial meeting with Mrs. Thatcher last May Mr. Haughey said that in his view the British guarantee that Northern Ireland will remain part of the UK so long as the majority of its citizens wish it is a major stumbling block to closer ties.

Mrs. Thatcher may have heard Mr. Haughey out politely, but for the moment she is sticking to the Unionist position. The Government's discussion document shows that it is determined to push on with its plan for an internal solution. Mr. Haughey realises that the process of winning the Protestants over to closer links with the Republic will be long-drawn out.

If and when Mr. Haughey gets re-elected and if and when Mrs. Thatcher's initiative fails, then both governments might be willing to think again about closer ties. The Protestants will be harder to win over. Meanwhile it can be expected that Mr. Haughey will push his message in any forum he can.

Stewart Dalby

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Key tourist revenue flagging

THE IRISH tourism industry, which in normal circumstances is the country's largest invisible foreign exchange earner, is going through a difficult period. The world tourist trade is of course suffering as a result of many factors including economic recession and the impact of increased oil prices on air fares. Ireland is particularly badly hit by most of them and is having to struggle to match last year's figures.

The volume of tourist business fell 3 per cent in 1979, dashing hopes of maintaining the momentum achieved in 1977 and 1978, during which time Ireland attracted a half million additional tourists. Not even the Papal visit to Ireland (said to have brought 30,000 visitors) proved equal to the task of offsetting the losses to tourism caused by the Post Office strike and petrol shortages during the early summer of 1979.

Revenue remains well below 1978 levels, including home holidays and carriers, compared with £376m in 1978. This increase did not match the rate of inflation. A good year for tourism would have helped to alleviate the pressure on the balance of payments, which rocketed to an extremely high deficit figure for the financial year.

The year before had been the best ever for Irish tourism and virtually every part of the industry did well. The success of 1978, and indeed 1977, was attributed by Bord Fáilte, Ireland's tourist board, to the revitalising of the industry and the efforts made by all sectors to work together in aggressive marketing of Ireland abroad. Certainly there were changes in the structure of the market. Whereas in 1968 the total of visitors to Ireland was estimated to have come 88 per cent from Britain, 11 per cent from North America, 4 per cent from Continental Europe, 26 per cent from Northern Ireland, and 1 per cent from the rest of the world, in 1978 the pattern was 45 per cent coming from Britain, 15 per cent from North America, 13 per cent from Continental Europe, 24 per cent from Northern Ireland and 3 per cent from the rest of the world.

In 1978, for the first time, the total tourists exceeded 2m. This represented an increase of approximately 12 per cent on 1977.

Close on 1m tourists came from Britain in 1978, a 15 per cent increase on 1977 and the largest single increase ever achieved from Britain or any other market. The Irish tourist trade revelled in the fact that it was attracting the British visitor again after the sharp fall in numbers in the early seventies because of the Northern Ireland situation.



Gaugane Barra in Co. Cork, representative of the quiet charm for tourists of much of Ireland's countryside

The recovery in British traffic to Ireland in 1977 amounted to an 8 per cent increase and a broadening in market appeal—i.e. an above average increase in growth in non-ethnic sectors was emerging. It seemed during the 1977-78 period that the purely British tourist (non-related Irish) was no longer inhibited by the political unrest in Northern Ireland.

It is, however, hard to assess what effect, if any, the murder of Lord Mountbatten in Co. Sligo last August will have on the market this year. It is thought that whatever anti-Irish feelings the event might have aroused in the short term, it will not affect to any great extent the numbers coming from Britain to holiday in Ireland this year, or damage the softening of attitudes towards Ireland which contributed to the revival of the market in the previous two years. None the less, it is recognised within the tourist trade that the Northern Ireland situation still places constraints on potential growth.

Bookings

The trend this year was brightening at first glance. Gradually, however, the tourist trade identified a change in normal practice towards late bookings or no bookings. For instance, one ferry reported in mid-June that on one occasion they had 22 bookings, but 88 cars arrived before departure for Ireland. The tourist bodies now hold a more optimistic view for the second half of this year.

In May, Bord Fáilte began a big promotion campaign in Britain. It spent £80,000 alone on radio promotion and within three weeks got 15,000 enquiries, with carriers report-

ing an increase in bookings. There is an obvious emphasis on carriers in this market as B and I and Sealink, among other operators, offer special fares, incentives and off-peak deals. (The Jetfoil from Liverpool to Dublin, which seats 280 passengers, is popular with many.) Carriers are down about 8 per cent on projections at the moment, but this represents a great improvement on the figures for March.

Over 70 per cent of tourists come to Ireland in the period June/November. At the beginning of 1980 Bord Fáilte hoped for a 7 per cent growth in traffic. It does not expect anything near that figure now, but is anxious to match last year's figures.

Continental Europe proved to be the bright spot last year, with numbers rising about 7 per cent compared with 1978. It is now Ireland's fastest growing market. In June of this year a top level delegation from the Irish tourist industry, including Ireland's Minister for Tourism, Mr. Desmond O'Malley, and Bord Fáilte's managing director, Mr. Joe Malone, went to Frankfurt.

There the group told 70 major tour operators from Germany, Switzerland and Austria of attractive new package deals for late-season Continental visitors. The Irish Hotels Federation, car rental operators and Bord Fáilte put forward a corporate winter programme for 1980-81. This consists of an agreement by hoteliers to set a uniform price for the programme (the idea being that it is better to have a full hotel with rooms at £8 a night than empty rooms at, say, £18 a night).

The package deal which should come to a price between £70-£80 per week, will include

about 35 different package holidays. This was in response to the drop in the numbers of American tourists to Ireland last year of about 10 per cent. The days of "Ireland on 85 a day" are gone for good, though. This year fewer Americans are travelling to Europe in general, and this will affect Ireland. A further drop in numbers from the U.S. is expected by the end of 1980. Claims have been made by some American and German nationals that a holiday in Ireland is no longer value for money.

Certainly, now that Ireland has its own currency, fluctuations together with a soaring inflation rate have made it more expensive to holiday in the country. (English visitors will themselves in exchange transmute a nice few pounds for actions but they will still find Ireland getting more expensive.) Given that the inflation rate is not going to take a downward plunge, Bord Fáilte has emphasised to operators that they must try especially hard to give value for money, and more important, to be seen to be doing so by advertising and promoting themselves.

Of the £117m budget for 1980 allocated by the Government to Bord Fáilte some £18m will be spent on marketing. The aim at this stage is to try and attract something like the 2.198m visitors who came to Ireland last year. As at this time last year they are faced with a huge task because of both domestic and international problems. Last month another serious domestic problem hit the tourist industry directly. This was the start of a strike by 1,000 craftsmen employed by Aer Lingus, the national airline, who are seeking a relatively pay increase. Aer Lingus is operating at only 50 or 60 per cent of capacity, and this has

meant the loss of a minimum of 25,000 potential tourists in June alone. Some would say this figure is conservative, though admittedly it is hard to estimate the effect of the strike. Aer Lingus is, however, endeavouring to give a fairly regular service on key routes and is bringing thousands of foreign students and ordinary visitors into the country. Perhaps it will be able to make up for losses later in the year thanks to co-operation with other operators in the industry.

Festivals

Until the last few years Bord Fáilte handled a lot of festivals in Ireland but these now have been handed over to the Arts Council and other operators. These festivals in themselves do not make a great impact on tourist revenue in general, but they do help certain regions and towns around the country to highlight their existence and promote trade locally. Several chartered flights from America arrive annually for the Festival of Kerry.

There is a theatre festival in Dublin in the autumn and a small, though very reputable opera festival held in Wexford. The Wexford festival which is held in a theatre with a capacity for only 400 people, is not a financial success, but has achieved much acclaim abroad for its high quality and the presentation of operas often not performed elsewhere.

In 1978 Ireland's first National Folk Theatre was set up, and recently too the first National Ballet Company. Visitors to Ireland this year who have not been here for a decade or so will perhaps notice an awakening of interest in the arts and in the country's archaeological and musical heritage.

Aideen Quigley

ENERGY

-the challenge of the future



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Seeking answers to energy problem

FOR A while last year the most widely-traded shares on the London Stock Exchange were those of Aran Energy. This is a small Irish-based concern whose significance lies in the fact that it has a 18 per cent stake in the BP consortium which last year found oil off Ireland's west coast.

Even though oil from the Porcupine basin could not be ashore before the late 1980s—and perhaps not even that soon—the fact that oil was there would profoundly influence decisions which must be taken soon on Ireland's future energy strategy.

The importance of those decisions was emphasised by the establishment of a separate Department of Energy earlier this year. In part, this was to find a brief for Deputy Premier George Colley after his defeat for his party's leadership.

According to some reports there have been familiar difficulties in persuading the civil service to treat the new Department seriously. But Mr. Colley has used his new post to bring the energy question before the public. In the circumstances it seems likely that the Department will remain and grow.

Dependence

The main problem is to reduce the country's dependence on oil, which now accounts for three-quarters of Ireland's power generation.

Projections from the Irish Institute of Industrial Research and Standards (IIRS) suggest the country should aim for a mix where roughly a third of energy requirements come from oil, a third from coal and the rest from a combination of peat, gas, nuclear power and renewable sources.

Definite decisions have been taken to increase the contribution from coal and peat. A 300 MW coal-fired station is to be built and the Irish Peat Board is in the middle of a major development programme.

This will double production of turf for domestic use and increase that for electricity generation by 40 per cent. The Board is also taking a look at peat bogs which were previously regarded as uneconomic but which could compete at future energy prices.

One of the first tests of the Government's commitment to an energy policy may be its attitude to the price of turf, now held at levels well below other fuels. Mr. Colley will be pressing Cabinet colleagues to ease the price restrictions.

Peat is unlikely to provide more than 20 per cent of energy demand, however. The only other proven native resources is the offshore Kinsale gas field.

A decision must be made whether to build a £100m gas grid which could carry gas to consumers in Dublin and nearby towns. The advantage would be more efficient use of the gas instead of the present policy of using a third of the output for power generation.

There are also hopes that renewable sources could make a small but significant contribution by the next century. Four experimental windmills are to be built on the west coast, one of the windiest areas in Europe.

There may be more promise in Monaghan, using the vast tracts of bog left when the peat has been extracted. Experiments are already under way with quick-growing trees such as willow.

The decision on whether to build the country's first nuclear power plant appears to have been postponed. In part this reflects public anxiety after the Harrisburg accident in the States but also results from a more cautious approach as to what Ireland's future energy demands might be.

As the UK experience shows, it is difficult enough to forecast energy growth in a developed industrialised economy. It is even harder in a developing one like Ireland's.

If the country is to provide employment for its growing population and raise living standards to European levels, substantial rates of economic growth will be required. Fore-

casters, particularly among semi-official bodies, are reluctant to imply that these rates might not be achieved when making their assumptions.

But if the assumptions are too optimistic, and if there is substantial conservation in response to price, Ireland may not need another power station until well into the 1990s.

Even then the IIRS believes the plant should be nuclear in order to widen the mix of energy sources. The proponents of caution say that by that time nuclear technology may well be cheaper and safer than it is today.

Advantages

The objective of widening energy sources is likely to remain, even if offshore oil is found. The main advantages of such a find would be security of supply and a lessening of the drain on the balance of payments, with an oil bill of over £280m this year.

But the Porcupine basin is yielding its secrets slowly. This is partly because of the short drilling season but also because ideas about its geology are changing. Early belief that any oil-bearing basin would be a large one, have been modified and geologists are now talking about a "string of pearls," or series of small structures.

There is more optimism than ever that there are commercial quantities of oil. But extracting it from 1,400 ft of water in some of the world's wildest seas will pose enormous technical problems. The British stock-brokers Wood MacKenzie have estimated the Porcupine field tested by the Aran/BP consortium could contain 300m barrels. This would supply Ireland's needs from the mid-1980s for 10 years. The Minister for Energy, however, has said the field may be nearer 100m barrels.

It was pointed out recently that, with present technology, a fracture on the seabed at 1,400 ft simply could not be repaired. The beaches of the west coast are also a natural resource, though of a different kind.

By a Correspondent

"The return on investment in Ireland is twice the European average."

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Black and white supplement.



CONTINUING TALK of the bonanza for Irish farmers brought about by EEC membership makes it difficult to grasp fully the magnitude of the difficulties Irish agriculture is facing. But the facts are that in the two years 1979 and 1980 farm incomes are forecast to fall by over 40 per cent in real terms. Following the high expectations for farming following EEC entry it is hard to cope with this sudden reversal in the fortunes of the farming community.

The detailed situation can be spelt out as follows. Farm incomes in 1979 on the official definition are estimated to have fallen by 10 per cent over the previous year—though 1978, it must be admitted, was a prosperous year by any standards. Inflation last year was just over 13 per cent, so the drop in real income was almost 25 per cent.

Forecasts for this year indicate a small rise of 4 to 5 per cent in nominal farm incomes, but with inflation expected to be in the range of 18 to 20 per cent a further drop in real income of 15 per cent can be expected. The improvement in farm incomes relative to incomes in the non-farm sectors experienced during the transition years to full EEC membership has now been eroded.

Why has there been this sudden reversal in the fortunes of Irish agriculture? The principal reason is that farmers are caught in a squeeze between rapidly rising costs and almost static price levels. Farm input costs rose by 13 per cent in 1979 as a result of higher energy costs, domestic inflationary pressures and the rising cost of UK imports, and are forecast to increase by a further 16 per cent in 1980. On the other hand, prices received by farmers rose by a mere 5 per cent in 1979, and are expected to rise by little more than 3 per cent this year despite the 5 per cent increase in institutional prices agreed by the EEC Agricultural Ministers in June.

In previous years of high inflation Irish farmers were compensated for increased costs by devaluations of the Irish Green £. But there is no scope for relief from this source at present. The Irish Green £ is currently within the 13 per cent franchise or margin over the market rate, so monetary taxes on exports have been eliminated. While a devaluation of the Irish £ within the European Monetary System would provide scope for a further Green £ increase, this would only provide short-lived

relief as it would soon be eroded by inflation.

Interest charges in particular are proving a severe burden on those farmers who undertook borrowing for development in recent years. The Irish Farmers' Association has recently called on the Government to underwrite the exchange risk for farmers converting their borrowings in Irish pounds to cheaper foreign currencies to provide relief to their group.

Price/cost problems have been compounded by the lack of growth in volume terms in the last two years. Gross output showed no increase at all in 1979, and the forecast increase this year is between 1½ and 2 per cent. The Minister for Agriculture, Mr. McSharry, has tried to paint a more optimistic picture by suggesting that net output will increase by 7 to 8 per cent this year, but most of the improvement in net output will come not from increased gross output but from a fall in the use of inputs from last year's levels.

Disposals

Little change is expected in cattle output this year, accounting for almost 40 per cent of agricultural output. Disposals than last year, but no increase in stocks is forecast. Cattle prices this spring have been disappointing, but are expected to be higher this autumn than last year, thus giving rise to a small price increase for the year as a whole.

A major problem for the beef industry is seasonal nature of supply, which results in less than full utilisation of factory capacity and creates problems of continuity in marketing. Irish factories therefore rely on intervention as an outlet for beef to a much greater extent than those elsewhere in Europe.

Irish beef producers are also angry at what they see as mismanagement of the beef market by the EEC Commission. The system of import levies and export refunds on beef operates in such a way as to encourage the import of high quality beef, in which the Community has a surplus, and to encourage the export of low quality beef for which the Community is in deficit. Nor are they happy with the various preferential agreements that have been concluded, such as the agreement with the Americans to allow 10,000 tonnes of high quality beef on to the Community market under the GATT Tokyo Round agreement, which adds to the pressure of supplies within the Community.

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there is a total lack of heavy industries. Ireland does not make big tankers. It does not manufacture aircraft. It has little steel-making capacity, and there is no petrochemical industry to speak of.

The drive to industrialise—and thus create jobs which agriculture could not provide—has centred on light manufacturing industry. Capital for the process has had to come largely from abroad, as there was little available for investment in industry when Free State status was achieved.

The campaign to attract foreign capital really started in 1948 when the coalition government of that time set up the Industrial Development Authority (IDA), a body which in an updated form continues to flourish today.

The IDA acts as a catalyst for foreign concerns which wish to set up a base in Ireland. Today, with an operating budget of some £140m, it has a basic 11-point package of incentives. These range from grants for starting-up costs amounting to 40 per cent in the east. There are factory sites with subsidised rents or for purchase on easy terms. There are training grants and capital allowances. The IDA is also empowered to take equity stakes and arrange loans.

Despite all these attractions the foreign money did not start rolling in until the 1960s. Until 1965 it was difficult in any event for it to do so because of protective barriers. The Protection of Manufacturers Act and the Anglo-Irish Treaty, both of that year, allowed capital to enter more easily.

Companies trickled in during the 1960s. The availability of a literate workforce anxious for work tended to offset the disadvantages. These include primarily the lack of an industrial infrastructure. In addition the roads are poor and the telephone system remains the worst in western Europe.

The industrialisation drive really took a quantum leap, however, when Ireland joined the Common Market in 1973. Once Ireland became a member, an American company, say, could by setting up in Ireland avoid the formidable battery of protective barriers against imports.

The charm of Ireland was further enhanced by the fact that there was no tax on

IRELAND IV

Farm incomes caught in squeeze



Thatched cottages and dry stone walls in Co. Galway—a farmland setting typical of the remoter parts of Ireland

Milk production, the star performer in Irish agriculture up to 1978 with an average annual growth rate of about 9 per cent, between 1978 and 1979, has had two disappointing seasons. A late spring and reduced feeding in the latter part of the year depressed yields in 1979 and the growth in output fell to just over 2 per cent. An even smaller increase is forecast for the present season. Uncertainty over taxation for larger producers, the EEC price proposals and the co-responsibility levy, and the growing attractiveness of winter cereals may all have contributed to the slower growth in output.

Although since 1978 Irish sheep producers have had a levy-free access to the French market which has resulted in significantly increased returns to sheep production, sheep numbers have continued to decline. However, the recent agreement on an EEC market organisation for sheepmeat should provide a secure market environment for expanded production.

One of the issues blamed by farm leaders for the present lack of growth in farming is Government policy towards farm taxation. In the wake of rising farm incomes following EEC accession in 1974, the then Government introduced income tax on farming profits for a limited number of larger farmers. Although more farmers have been brought into the tax net since then, the yield from farm income-tax has remained small and many in the non-farm sectors have felt

that farmers have not been paying their fair share.

Successive governments have therefore introduced a number of supplementary taxes in an effort to increase farmers' overall contribution to the Exchequer. In 1976 the 1 per cent VAT rebate allowed to farmers to offset the VAT paid on farm inputs was withdrawn and later restored. In 1979 a 2 per cent sales levy (ostensibly to contribute towards the cost of research and advisory services in farming) was introduced and later withdrawn, and in 1980 a resource tax has been introduced as a temporary measure on larger farms. At the same time the notional option for assessing farm incomes for tax purposes based on a predetermined multiplier was withdrawn in favour of taxation on accounts only.

The Government has now declared that the present tax structure and tax thresholds (around 37,000 farmers out of an estimated 170,000 are now assessed for tax) will remain unchanged for a three-year period. However, the farm organisations are less than happy with the tax code, particularly in the light of the new 10 per cent tax rate for manufacturing industry to be introduced in 1981.

Limited

The whole question of farmer taxation has been referred to a Commission on Taxation appointed earlier this year, but the Government's room for manoeuvre is very limited. Any additional concessions to the farming community will further

incite the much larger PAYE sector who already feel they bear a disproportionately heavy share of the total tax burden.

Another domestic issue concerns the eagerly awaited proposals for the reform of land policy. The land structure problems often associated with a contracting agricultural sector—namely a high proportion of elderly farmers and a large amount of inefficiently used land—are compounded in Ireland by the unique stability conferred by almost total owner-occupancy. Government land policy has operated through the Land Commission, whose main function in recent years has been the purchase and allocation of land for the relief of congestion.

Three years ago an Inter-Departmental Committee on Land Structure Reform proposed sweeping changes in state land policy. They recommended an end to direct state intervention in the land market and proposed instead a land agency which would monitor trends and through selective inducements attempt to channel land to deserving applicants. Selective subsidies for land purchasers and an upper ceiling on the acreage of land a farmer could farm were two of its more controversial recommendations.

The Government has recognised the need for changes and has promised a new Land Bill, but so far it has moved cautiously on the matter. Mr. McSharry has promised to introduce legislation before the end of the year and in the meantime a White Paper on the subject is to be published. The last Land Bill in the 1960s took three years to get through the Dail (Parliament), so Ireland's farmers may have some time yet to wait before they see changes on the ground.

Despite these domestic controversies, the EEC's Common Agricultural Policy (CAP) remains the most important element in Irish agriculture. As a net food exporter Ireland gains significantly from the operations of the CAP. Commission figures show that in 1980 Ireland will receive a net 197 per head from the Community budget, compared to 138 per head for Denmark, the next highest recipient. Direct contributions from the EEC agricultural budget amounted to 1576m in 1978 and 1542m in 1979, compared to the value of farm incomes of 15342m and 15766m in the two years respectively. The significance of the EEC contribution is even greater when account is taken of the gains from higher export prices on sales to EEC markets.

It is understandable then that the Irish feel nervous when modifications are proposed to the CAP, and oppose vigorously any anti-surplus measures introduced at EEC level. For

example, the original Commission price proposals for 1980 contained a number of elements unfavourable from the Irish point of view.

The 2½ per cent price increase proposed would have given little compensation to Irish farmers for rising costs. The proposed superlevy on milk production, which would have amounted to a tax of 54p on every gallon of milk produced beyond the 1979 level, would have removed completely the incentive to expand milk production. Other unfavourable elements were the "A" sugar quota and to suspend beef intervention for some months in the autumn.

Defeated

In the event the 1980 price package eventually agreed turned out to be less damaging to Irish interests. There is a 5 per cent overall increase in institutional prices, though, because of the supply/demand situation for some commodities and the co-responsibility levy on milk, very little of this will be passed back to Irish producers of cattle, milk and cereals. The proposed superlevy was successfully defeated, though a threat to impose some disincentive on milk production if total EEC output grows by more than 1½ per cent this year remains. Both the Irish sugar quota and beef intervention arrangements remain unchanged.

In addition, two other elements in the package could provide useful aids for Irish farmers. A 1500m Western Development Scheme for infrastructural improvements and on-farm investment has been approved, to be financed jointly by EEOA and the Irish Exchequer. There is also to be a new "beef" cow premium scheme. One-thing in the tail is the withdrawal of grants for dairying investment from farmers outside the Disadvantaged Areas who are not following a development plan.

In the long run, however, the problems of surplus production, the cost of the CAP to the Community budget and the consequences of the second enlargement, and the fundamental contradiction of pursuing a rural social policy through action on farm prices alone will not go away.

Such issues are for the future, however. For the present Irish farmers have breathed a sigh of relief that the much delayed prices package has been finally agreed, and have turned to grapple with more pressing and immediate problems of falling real incomes, taxation and land structure reform.

Alan Matthews
Agricultural Economist, Trinity College, Dublin

Latent weaknesses in the industrial structure

IRELAND IS in the process of industrialising but can hardly yet be described as an industrialised nation.

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there is a total lack of heavy industries. Ireland does not make big tankers. It does not manufacture aircraft. It has little steel-making capacity, and there is no petrochemical industry to speak of.

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The charm of Ireland was further enhanced by the fact that there was no tax on

exports. Since there are nearly 400m people in the Common Market and only 3.3m in Ireland, the destination of anything manufactured in Ireland was obvious. U.S. companies in particular—besides avoiding tariffs imposed by the EEC—could pay virtually no tax at all.

In the period from 1960 to the end of 1978 some £1.6m was invested in Ireland. This is a considerable sum when it is remembered that the country's Gross National Product (GNP) today is just 158.3bm.

Investments

Over 800 companies made investments. Of these more than half were from the U.S. and a further quarter from Britain. They embraced companies across the whole range of what might be called light manufacturing industry. There are 70 computer concerns, for example, but also just about everything else—from ventilating machinery to baby powder to hospital equipment and car components.

Under pressure from the EEC Commission, which felt the tax concession was against the spirit of the Community, Ireland agreed to alter the rules. As from January 9, 1981, all companies will have to pay a standard 10 per cent rate of corporation tax.

A 10 per cent rate of corporation tax is unlikely, however, to make much difference to a large company's profitability, and the IDA hopes—nonetheless—that that investment will keep coming in.

What the drive to attract foreigners has meant for the ownership of industry is that there are 4,500 manufacturing concerns of which 800 are foreign-owned. However, since the figure covers just about everything right down to small cottage industries, the truer statistic for companies, say, employing over 100 people is probably that nearer 50 per cent are foreign-owned.

As for the employment profile. There are 245,000 employed in manufacturing industry (about a third of the total workforce). Of these roughly a third are employed in foreign concerns. Again, however, if one takes companies with more than 100 employees it is not an unreasonable assumption that some 50

to 65 per cent of those employed in the manufacturing sector work for foreign companies.

The IDA reckons that over the period 1960 to 1978 it approved or helped create some 150,000 jobs. Although the level of unemployment has not changed that much in the past ten years (it has remained fairly constant at 10 per cent), the jobs created mask some significant changes in the pattern of employment. Emigration has dropped dramatically. Moreover, there have been a lot of people leaving the land and declining industries like textiles.

The IDA estimates that of the jobs it has helped create some two-thirds of the total employed are in positions which did not exist ten years ago.

The IDA-driven and Government-backed programme for job creation through foreign investment can justifiably be called a success. There has only been one real disaster and that was when Ferenka, a subsidiary of Akzo, the Dutch concern, closed its factory in Limerick making steel cord for tyres in November 1977 with the loss of 1,400 jobs.

There have been disputes at the Alcan alumina project, also in Limerick, where 1,300 construction and related workers have recently gone back to work after a two-month stoppage. Asahi, in Mayo, had some trouble early on with construction.

Significantly, these disputes have all been in concerns where a large number of workers have been involved. In the smaller more typical project—say an electronics concern employing 250 workers—there have been few reports of unrest and strikes. Most strikes in Ireland appear to occur in the public sector.

The corollary, however, is that control is elsewhere. Ireland has not yet faced the problem that a boardroom far away, in perhaps Detroit or Dallas in the U.S., rather than the Irish Government, will make the decision to shut up shop and pull out.

Control of companies is loose, so foreign concerns can do this. It is still such a good deal for foreign companies in Ireland that—Ferenka aside—companies have not been pulling out. But this sort of situation could easily develop as investments get bigger.

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FTI

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How two swallows may lead to summer

Having endured two takeovers, Weyburn Engineering is now in the throes of major rationalisation. Arnold Kransdorff reports

FEW UK companies can have gone through the upheaval of a double takeover in less than a year.

From a management point of view the effect could only be both traumatic and disruptive, especially if, as a result of deteriorating market conditions, it was then necessary to implement a painful programme of rationalisation.

This has been the experience of Weyburn Engineering, the world's largest independent manufacturer of camshafts for diesel engines. Weyburn, originally a sleepy little company with a market capitalisation of less than £2m, was propelled into the big time by Hugh Buckner and Ronnie Royston, two of Britain's more successful "whizz kids" of the 1970s.

They transformed it into a company with pre-tax profits of £2.8m and, when its market and fortunes were at a peak, sold out to the huge Carborundum Co. of the U.S. for £16.5m in May 1977.

Weyburn had just seven months with its new bosses, early the following year Carborundum, a company with net profits of around £38m a year, was suddenly taken over by the giant Kennecott Copper Corporation, also of the U.S., for a controversially high \$507m. At the time the deal was the costliest all-cash transaction in Wall Street history.

Since then the enlarged group, which turned in record pre-tax income of \$166m in 1978, has undergone radical and unusual restructuring. Many of Carborundum's managers have taken over key positions at Kennecott which affect the company's finances, employee relations, public relations and shareholder relations; while many division managers have lost their autonomy.

The changes have also resulted in a more centralised financial structure, with tougher controls.

At one stage Kennecott even considered selling Carborundum

to placate hostile shareholders who thought the original price too high. However, it decided instead to examine the possible divestment of certain operations.

Weyburn, it appears, is part of this possible strategy, at least for the present. Plans are in motion to change its line of management, giving it a relatively more visible position in the group. This is a clear vote of confidence in the company in spite of an uncertain outlook.

Up to now Weyburn's management has been responsible to Carborundum under the overall Kennecott umbrella. As a result it has tended to be overshadowed by Carborundum's abrasive activities.

On a day-to-day basis we have no direct contact with Kennecott," says David Hope, Carborundum's new European business manager. "Perhaps twice a year a Kennecott executive will visit us to assess results to date and discuss long-range planning, such as capital projects and new markets."

All business plans—annual as well as long-range—are submitted to the engine components division of Carborundum, based at Grand Haven, Michigan. It, in turn, submits them to Kennecott.

Under the new structure, however, from next year Kennecott will group Weyburn with the rest of its engineering companies in a separate division, making them responsible directly to the main board.

Hope thinks this change will enable Kennecott to "see our function more clearly," although he does not think it will make much difference to day-to-day management.

Meanwhile he is pressing on



David Hope—trying to push up UK productivity to German levels

with Weyburn's own rationalisation plans against the background of tough market conditions. The demand for capital equipment has eased markedly in recent years, leaving many manufacturers of diesel engines, pumps and generators on short time; only car manufacturers had been doing well, although the trend in recent months has been noticeably downwards.

Since the takeover by Carborundum in 1977, camshaft sales at Weyburn have lacked their previous sparkle. Between

1978 and 1979, when sales touched \$19.7m, there was only a small volume gain and the forecast for 1980—at \$22m—reflects a notable downturn.

Hope, aged 44, is an Englishman who has spent 18 years working in the U.S. for Honeywell, H. B. Maynard, Allis-Chalmers and Carborundum. His first four years in industry were spent in a graduate training programme in the UK while with George Bassett, the Sheffield-based confectioner.

In October last year Hope was seconded from a manage-

ment consultancy role with Carborundum to Weyburn's head office at Easingham, near Godalming, Surrey. One of his first moves was to divest the company of its small precision components subsidiary at Tunbridge by selling it to the Hunting Engineering Group in April this year. This left the company exclusively as a camshaft manufacturer with factories at Easingham, nearby Elsted, Bath and Hamburg in West Germany.

The Hamburg factory, which accounts for about a quarter of

the company's sales, is extremely profitable. In current market conditions it is holding up better than the UK operation, which suffers from poor productivity and an unfavourable product mix.

Hope's aim, simply, is to boost UK productivity and improve the product mix. The former is likely to involve a 30 per cent reduction in the UK workforce while the latter will mean a shift in emphasis towards using more steel and less iron; steel requires more machining skills and thus gives a higher added value.

Hope illustrates the problem by comparing the UK performance with that in Germany—a comparison which he admits is crude but nevertheless admissible. In Germany less than 100 people produce revenue of \$3m a year while in the UK 500 people produce an annual revenue of \$2m in terms of sales per head the Germans are thus almost three-quarters more efficient.

Part of the reason is undoubtedly due to the favourable product mix in Germany, which is geared entirely to steel products. In the UK only about 30 per cent of production is steel, the balance being cast iron.

Hope intends to boost the percentage mix to about 40:60 in the short term as well as introduce some sweeping rationalisation measures across the whole of the group almost immediately.

He admits this will mean a considerable realignment of production facilities and consequent disruption but is hopeful that there will be almost immediate productivity benefits. His optimism extends to quoting a

productivity improvement of 40 per cent by the end of 1980—an achievement which would be exceptional given the extent of the internal upheaval in the pipeline.

In the first instance he intends to close down the factory in Bath and consolidate the operation into the Elsted plant, making about 100 workers redundant. The Elsted operation will then have to be expanded to accommodate increased capacity.

In terms of capital expenditure, many of Weyburn's 30 existing cam grinding machines, which would cost up to £150,000 each to replace, will either be reconditioned or rebuilt. Also, Hope intends to spend about £1m this year alone on sophisticated computer-controlled equipment to take care of bearing and cam grinding, the final operation in the manufacturing process.

The rest of Hope's strategy is confined to staff changes. The only aspect which still has to get approval from the unions is a proposal for a three-shift working day to accommodate the transferred work. At present the company operates on a two-shift cycle on short time.

Elsewhere the unions have given their approval for the existing bonus plan to be changed to a new flat rate incentive scheme. "The current system is geared to quantity, not quality," says Hope.

There has also been no union resistance to the proposal to introduce multi-machine working which involves an operative running more than one machine.

Up to now the incentive scheme and lack of flexibility has meant a high rejection rate

on the production line, requiring more quality controllers than might otherwise be necessary.

Hope wants machine operators to take more responsibility for quality control. This will mean a greater number of interim checks, so operatives will be supplied with better measuring equipment.

In turn this should mean a reduction in the number of workers carrying out quality control—at present 56. Hope estimates that this figure will be reduced by around 40 per cent.

But while Hope may have a measure of control in getting the company in shape, he can have very little influence over the market place. Here, as an engine components manufacturer, his output is governed by the level of new vehicle sales; only around 15 per cent of turnover finds its way into the so-called "aftermarket." The company's market profile shows that about 70 per cent of camshaft production is destined for diesel application (the balance for petrol engines) and that cars, commercial and agricultural vehicles—all non-growth areas at the moment—account for roughly two-thirds of sales.

Its sensitivity to market conditions is illustrated by the fact that it holds about 45 per cent of the camshaft market in Europe not served by the original equipment manufacturers.

All this makes Weyburn's short-term future highly uncertain, albeit perhaps through no fault of its own. Grouped with other of Kennecott's engineering activities it will have to bear the scrutiny of direct comparison with the more productive and profitable activities.

David Hope, who has been well schooled in the American way, knows this. Ringing in his ears must be Kennecott's threat to divest itself of operations which do not fit into the group's overall business strategy.

A COPYRIGHT infringement suit is an unlikely weapon in the hands of a motor car manufacturer, yet it is being used for the second time within a year by BL in the defence of its monopoly of making and selling spare parts of its own design.

The desire of motor car manufacturers to keep for themselves the profitable market in spare parts is, of course, a wider issue, and different methods are used by different manufacturers in different countries. Their experience is also of interest to other suppliers of spare parts in industries where they represent an important profit-making component.

While motor car manufacturers can rely on copyright protection in the UK (on the strength of a series of judgments which are still controversial) no such protection is available on the continent of Europe. This is one reason why Volkswagen has tried to protect itself by contracting with its West German dealers and service shops that they are obliged to buy spare parts produced by other suppliers only through VW. It has been est-



imated that VW's turnover in Germany in such spare parts amounts to over £500m per annum.

However, the German Federal Cartel Office has attacked this arrangement as an abuse of monopoly position, and prohibited VW from imposing such restrictions on its dealers and service shops. The decision was confirmed last December by the Berlin Appeal Court, which held that the restrictions imposed on dealers and service shops by VW-Audi were "unreasonable and could not be justified by the company's interest in protecting the 'good reputation and competitiveness of its vehicles'."

But German car makers are still allowed to insist on supply-

ing parts for guarantee work paid for by the manufacturer. Except for VW-Audi, no other German motor car dealer binds its dealers to a similar degree.

It is clear that if a manufacturer wants to restrict dealers in respect of parts made by other manufacturers, he will need to find a way of forcing him to accept such an onerous arrangement. The retailer may wish to be appointed as a registered dealer, but such pressure could not be applied in the case of repair garages. In the past German car makers exerted pressure by refusing to sell their original parts to independent. But this practice was outlawed in 1972 when the Federal Supreme Court held that the intention of concentrating repairs in the manufacturers' own repair shops did not justify a refusal to supply spares to independents. A manufacturer, the court decided, may be more engaged in his own business if he does not dominate the market for the whole product. And a market-dominant enterprise may not refuse supplies in a discriminatory way, it added.

BL believes that in the UK it has no need to rely on the sort of arrangement used by VW because it can defend its spare parts market by means of the English copyright laws. But the company is finding that that area is now being undermined by EEC law. At present the EEC Commission in Brussels is considering two complaints against BL. One was made in October 1979 by Wyatt Interpart, the UK agent of Leyland's former subsidiary, Leyland Innocenti. The other was lodged by TI Silencers. BL has accused TI of selling, without licence, silencers protected by BL's copyright.

BL had in fact brought an action* against Wyatt in 1975 when BL complained of an infringement of its copyright by the importation of spare parts made by Leyland Innocenti in Italy. BL claimed, under English law, that its spare parts design was protected during the designer's lifetime and for 50 years after his death; no such protection can be obtained in Italy where the parts, sold by Wyatt, were made.

The complaint lodged by Wyatt with the EEC Commission alleges that BL was abusing its dominant position in spares by invoking design protection. It argues that the parts were placed on the Italian market with BL's consent and, therefore, cannot be attacked by an infringement action in another EEC country.

In the case of Parke-Davis, the European Court upheld protection of a Dutch patent against infringement by import of pharmaceutical imitations from Italy where no patent protection for pharmaceuticals was available. BL is thought likely to benefit from the same reasoning in its dispute with Wyatt.

In the second complaint, BL is suing TI Silencers for infringement of copyright; it makes exhaust assemblies or parts reproducing the original parts made by BL. TI Silencers defended itself by arguing that

Hard bargaining or coercion?

BY A. H. HERMANN

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it did not obtain licences from BL to make these parts because the terms under which BL was prepared to grant such licences were "oppressive and contrary to the EEC rules of competition."

In a judgment* handed down on April 2 1980 Mr. Justice Walton struck out these defences, holding that it was not an arbitrary and discriminatory abuse of a dominant position prohibited by Article 86 of the EEC Treaty to make licensing agreements under the terms offered by BL. TI Silencers appealed and the Appeal Court decision may be handed next year.

In order to understand the legal issues involved it is necessary to keep in mind that not all spares suitable for BL vehicles, and sold by BL dealers, are protected by BL copyright. The parts suitable for BL vehicles are referred to as "BL application parts" and only some of these are "BL copyright parts." BL has granted licences for making of silencers to four UK companies.

Three of the licences provided that royalties should be paid on the entire range of BL application parts or components, manufactured or sold by the licensee and intended for use in vehicles made by BL or its predecessors. The fourth licensing agreement gives the licensee the choice, either to pay a 7 per cent royalty on copyright parts only or a 4.4 per cent royalty on all exhaust systems for BL vehicles sold by the licensee. This royalty would be reduced to 3 per cent in any three month period when the sales of BL application parts did not include any BL copyright exhaust systems.

In the TI Silencers v. BL case, Mr. Justice Walton accepted that royalties were charged on all parts—including parts not protected by copyright—solely to facilitate calculation and concluded that

there was neither a restrictive practice prohibited under Article 85 nor abuse or discrimination prohibited by Article 86 of the EEC Treaty.

There is little doubt that it will be argued on appeal that licensing agreements of the type concluded by BL exclude competing products from the market as the payment of royalties on unprotected products can be seen as a penalty for selling them.

In the one case where the licensee has a choice to pay a higher rate on BL protected products, the courts will want

to know whether the 7 per cent is not prohibitively high, so that the licensee will always choose the other alternative. It is at least arguable that this amounts to BL licensing parts to their competitors (as they have to add the royalty to the purchase price) and, consequently, are discouraged from selling them.

The problem is well known in the U.S. The U.S. Supreme Court has established the principle that coercion to pay royalties on unprotected products is wrong. More explicitly a District Court held in the Zenith* case that Hazeltine Research "misused its domestic patents by attempting to coerce Zenith's acceptance of a five-year package licence, and by insisting on extracting royalties on unprotected products."

Should the English Court of Appeal follow the reasoning of the U.S. courts it would have to deal with the question of coercion first. It seems that in U.S. law the charging of royalties on unprotected products is in itself not illegal. It becomes illegal only when the licensee is made to agree to this by excessive pressure. The courts and the EEC Commission will have to answer the difficult question of where hard bargaining ends and coercion begins.

* BGH KRZ 54/71
* High Court adjourned.
* F.T. European Law Letter January 1980
* Chancery Division judgment 2 April 1980, European Law Letter June 1980
* 239 F. Supp. 51 (1965)

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LOMBARD

The lamb war goes on

BY J. O. CHERRINGTON

THE LAMB WAR was originally a quarrel between France and Britain. Successive French governments, even in non-election years, protected their sheep farmers against the importation of cheap British lamb by a series of import duties which matched market fluctuations and outright closure when duties no longer sufficed. Until the coming of Mr. Peter Walker as Minister of Agriculture, no British Government showed much concern at French behaviour, although in the run up to the last election Mr. John Silkin, then Labour Minister of Agriculture, did refer the matter to the European Court, which eventually ruled against the French action. The British line was that the deficiency payments looked after British sheep farmers and ensured the housewife or consumer, a good supply of reasonably priced lamb, plus even more reasonably priced New Zealand supplies.

Wider conflict

The French claimed not to be too worried about British lamb exports but objected to the free importation of New Zealand supplies to the UK. If the French market were to be opened the British would eat New Zealand lamb and export their own to France.

The recent sheepshead régime, brought back in triumph from Brussels by Mr. Walker, is proving on examination to contain the seeds not only of pro-cannibalism in its adoption, but of widening the conflict.

The essential trigger to its implementation would be an agreement with third country suppliers to limit their exports to the UK in return for a reduction in the GATT tariff of 20 per cent.

Negotiations with New Zealand are under way and could possibly succeed. But New Zealand is not the only lamb exporter to the EEC although by far the largest. The list includes Australia, Argentina, Uruguay, and several countries in Eastern Europe. These countries are now insisting that they too should be consulted in any quota tariff reduction scheme which will mean that even if New Zealand agrees to some sort of limitation nothing can be finalised until all their claims are recog-

nised. But limitation is not enough. The new régime includes exports of Community surplus lamb from intervention. The interested countries will have none of this.

The French are insisting that if they are to agree to the scheme being implemented something will have to be done to stop the leaks through their own protective cordon. These leaks have become important in recent years because imports of lamb from such countries as Belgium, Germany and Holland were not affected by the ban on British lamb. Most of the 40,000 tonnes of lamb imported into France came from these three countries, none of them possessing much in the way of sheep stocks.

The truth was that British exporters found that by sending lambs or carcasses to these countries they could get into the French market duty free. Not only the British found this out.

One of the lesser known oddities of the EEC protective system is the free passage of goods between East and West Germany. Eastern European lamb is only one of the products to take advantage of this. Once over the border it is West German lamb and can enter the Community unimpeded.

Licences

To counter this the French have now introduced licences for the import into France of lamb from Holland, France, Germany and Ireland by 90 per cent. The licence is issued after having received favourable treatment from France with free entry for their lamb in the past, that they are treated in the same way as anyone else.

So the matter is far from being settled yet. French farmers are not satisfied with the intervention price proposed and have told their Government so in no uncertain terms. The latest French measures are designed to keep the price of lamb high. British farmers who were hoping to get a 17 per cent boost in prices by July 15 under the new scheme are impatiently demanding their money and will not get it until everyone is satisfied. It could be a very long time. France has not lost the lamb war yet.

I AM in the happy position of being quite sure which is the best garden in the world. Naturally, I have not seen them all, but you have to expect strong prejudice from a man who is already sure that his garden is the best. My choice is not unusual. The best of its class never is. In the next week or so, you can test my judgment by visiting Sissinghurst Castle Gardens, near Cranbrook, Kent, now in the keeping of the National Trust. Make allowance for the heavy rain, but you will never see such a garden anywhere else.

The Sissinghurst garden continues to roll. Ten years ago the garden drew some 8,000 visitors. This year there will be well over 100,000, paying an entrance fee which has out-paced inflation. Some, I dare say, have been intrigued by the portrait of its literary makers, the couple who lived there, Vita and Harold Nicolson. Others, bitten by all things Bloomsbury, may relish this oasis on the margin, lit up by the letters of Vita to her beloved Virginia Woolf.

Every year there are more Americans who wish to chalk up a footnote for their theses on Virginia Woolf or the Bloomsbury period. My own view is that the rise in the garden's popularity is largely horticultural, that the crowds go to see the plantings in their old

English settings and that they leave with an interest in colour and old roses, not in the romances of Vita and Virginia, though readers of *Orlando* modelled round Vita may return to it wondering whether the thorny problems of book and garden do not throw a certain light on one another.

I need only say here that the world-famous garden was made from a derelict confusion of brambles by the Nicols in the 1930s. The site had once housed a glorious Tudor castle built round successive court-arch-vandals, pulled it down. Round the tower and out-buildings, the Nicols made their pattern of interlocking gardens and vistas. Harold, the first landscaper, and Vita, the perspective, I would rate him as Repton and above Brown and Lutens in the ranks of English garden designers.

Eighteenth-century gardeners took it for granted that moral and aesthetic attitudes belonged together. The plan of the Sissinghurst garden reflects the outlook of a man who appreciated taste as a mark of character in men and letters. Sissinghurst's garden plan is never out of season. It brings together so many different observations, the shape of the old Kentish threshing-floors, the elegance of a pleached French alley, the emphasis on Italian sculpture, odd fragments of journeys in Persia and Morocco and above all, the strong lines

of classic English style, aligned with steps and well-grounded water or left to run across a plain which might otherwise fall into too many small rooms. The garden was matched at Sissinghurst to the natural genius of the place and held together by one man's point of view. They were also, of course, lit up by Vita's sense of colour and romantic fancy. Its sources are

It is one reason why Sissinghurst is so much finer than its rarefied contemporary, Hidcote Manor in Gloucestershire, where you would never see a Sweet William being loved. Vita's writings on plants are born from pure genius. It would be possible to put most of her poetry in its place and not be so polite about most of the

her exotic love of garden scent were truly monastic.

The big books of the old Country Life series, the *Notes on the Garden* by Vita and Harold, are the backdrop to gratitude for Sissinghurst. Some of the elements were already there: the stress on colour planning, the masses of climbing roses, use of enclosed gardens within a larger whole. But there is a bluntness about the bluntness of the garden, a bluntness to the tapering lily-ponds, a strident note to the Dorothy Perkins roses up poles and ropes. By taste and literary sensitivity, Vita rose about it all. That same exuberance over quite simple plain men's detail lights up Virginia Woolf's own essays, proof, by her closest friends, that it is possible to be eclectic without losing a coherent point of view; but there is life and art in the smallest corners of a day. Sissinghurst, in this light is Virginia's Essays realised in plants.

I will end by countering two frequent criticisms. These plantings, sceptics say, were all very well for the Nicols and their three gardeners when £10 a week bought a man's time. On the contrary, Sissinghurst is the single most fertile source for owners of small gardens who want their gardens to be beautiful and the ability to see the tracery of great cathedrals in an avenue of winter elms. Her ascetic hatred of gadgets and

prose which she wrote about travel and history. But her newspaper articles on gardens were reprinted for hundreds of thousands of readers in books whose titles range round the words *In Your Garden*. They are still far the best books which I know on the subject.

When I made the early discovery that I liked gardening, I would bicycle miles to the one public library which stocked them and would return after school lights-out to a world of clematis on wire netting, white gardens and barn owls, roses called *Nuits de Young*, the unknown *Indigofera* and the ability to see the tracery of great cathedrals in an avenue of winter elms. Her ascetic hatred of gadgets and

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GARDENS TODAY

BY ROBIN LANE FOX

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Age Quod Agis has much appeal

DANTEL WILDENSTEIN, who missed yesterday's opening day of the July meeting, will be on hand today when three highly rated juveniles and an untraced yearling-old represent him at Newmarket.

All four are trained by Henry

RACING

BY DOMINIC WIGAN

Cecil, for whom a victory by the American-Bred Age Quod Agis, in the July Stakes, would be the most satisfying feature of the afternoon.

A bitter disappointment when a heavily-supported favourite on his racecourse debut, Age Quod Agis has since left that form well behind with two victories in quick succession. The Warren Place colt was particularly impressive in disposing of Show-a-Leg in Yar-

mouth's Hoplon Stakes over today's six-furlong trip recently. Although Age Quod Agis has yet to tackle ground as yielding as that he will encounter here, his action and breeding suggest he will not be inconvenienced by underfoot conditions. I take him to get the better of the favourite, Recitation, an impressive winner of Royal Ascot's Coventry Stakes.

Found Gold, who was taken out of yesterday's Plantation Maiden Stakes in favour of the Bernard van Cuijlen Stakes so that Mr. Wildenstein could see him in action, should not be held back by the Italian colt, here, on his introduction. Here, Found Gold, a colt of arguably more potential than stable-mate Age Quod Agis, seems likely to be chased home by Easterly Wind.

On the corresponding afternoon a year ago, Rose Above completed a double for Willie Carson with a head victory over

Topsy in the Child Stakes. It could well be that Dancing Shadow can do the trick for him in the same mile-and-a-half today.

The Dancer's Image bay, the most highly-regarded of West Isle's first-season fillies last year, in spite of the presence of Shoot a Line, Bireme and The Dancer, will go well if back to her best but without perhaps proving good enough to cope with Our Home.

Lester Piggett, who had a lean time at this meeting in 1979, after some notable successes in the previous few seasons should be on the mark with the Aga Khan's Sashka in the closing event, the Kennett Maiden Stakes.

NEWMARKET

2.00-Dante's
2.30-Found Gold***
3.05-Our Home
3.35-Age Quod Agis**
4.10-Loretto
4.45-Sashka*

Water Headlines, 4.45-5.15 Nt A Wh. 5.00 Y Dydd. 5.15-5.30 Nt A Wh. 5.30 Only in America. 11.30-12.25 An Only Concert (Roger Whitaker).

SCOTTISH

10.50 am at Macdonald. 11.10 Westside Medical. 12.30 pm An Exceptional Child. 1.20 Angela News. 1.55 Barnaby Rudge. 6.00 Anglo-Scottish. 10.25 The Sun. 11.00 The Sun. 11.30 The Sun. 12.00 The Sun. 12.30 The Sun. 1.00 The Sun. 1.30 The Sun. 2.00 The Sun. 2.30 The Sun. 3.00 The Sun. 3.30 The Sun. 4.00 The Sun. 4.30 The Sun. 5.00 The Sun. 5.30 The Sun. 6.00 The Sun. 6.30 The Sun. 7.00 The Sun. 7.30 The Sun. 8.00 The Sun. 8.30 The Sun. 9.00 The Sun. 9.30 The Sun. 10.00 The Sun. 10.30 The Sun. 11.00 The Sun. 11.30 The Sun. 12.00 The Sun. 12.30 The Sun. 1.00 The Sun. 1.30 The Sun. 2.00 The Sun. 2.30 The Sun. 3.00 The Sun. 3.30 The Sun. 4.00 The Sun. 4.30 The Sun. 5.00 The Sun. 5.30 The Sun. 6.00 The Sun. 6.30 The Sun. 7.00 The Sun. 7.30 The Sun. 8.00 The Sun. 8.30 The Sun. 9.00 The Sun. 9.30 The Sun. 10.00 The Sun. 10.30 The Sun. 11.00 The Sun. 11.30 The Sun. 12.00 The Sun. 12.30 The Sun. 1.00 The Sun. 1.30 The Sun. 2.00 The Sun. 2.30 The Sun. 3.00 The Sun. 3.30 The Sun. 4.00 The Sun. 4.30 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FINANCIAL TIMES

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Wednesday July 9 1980

Why the Bank took a view

THE clearing bank figures, published yesterday, caused some mild disappointment in the markets. It had been assumed that the clearing banks' figures would be better than the Bank of England's figures, which were cut last week. The authorities were acting on inside knowledge of a sudden fall in the demand for money. The published figures appear to lend only limited support to that idea: while they show some fall in private sector demand for loans from the clearing banks, they suggest that monetary growth has remained above the upper end of the target range. On closer inspection, even that limited comfort is hard to confirm: there are large unknowns and heavy distortions. The authorities acted not on secret information, but on a view of the future.

Mystery

The extent of the uncertainty about banking in June is revealed in one telling fact: the Bank of England has, quite unusually, hedged its routine estimate of the implied growth of the money supply. Usually this is issued with no more comment than is implied by saying that monetary growth is thought to have been "about" some given percentage. But on this occasion, there is a warning that the rough estimate offered, of a rise of 1 per cent in Sterling M3, may have to be revised as more information becomes available.

This is hardly surprising, because the figures are a mystery wrapped in an enigma. Apart from the familiar distortions arising from extreme tightness in the money markets, which led to unusual transactions between the authorities and the banks—and which are known in detail in the Treasury's "Money Market Report"—there are two major unknowns.

The first is the behaviour of foreign investors. Since the fall in U.S. interest rates have left sterling exposed as the sole major currency offering a return above the world rate of inflation, there has been a heavy foreign demand for sterling assets of every kind. Some buying has gone into gilts, and the authorities cannot at this stage be certain how far their heavy funding in recent weeks has attracted investors outside the banking sector. Foreign banks have been among the buyers. Offshore investors have also

been large purchasers of UK commercial bills. This does not mean the money supply figures, since these holdings were no doubt financed through non-resident sterling deposits, but it does add to the difficulty of interpreting the figures for bank lending. When UK banks sell bills, there is an apparent fall in lending which is deceptive about underlying trends.

These distortions alone might have discouraged any move on interest rates, since they point to a danger that the figures will tend to overstate the success achieved in funding and understating the demand for credit; but there are others. The figures show another striking fact: the clearing banks have collectively jumped the gun ahead of the official end of the supplementary special deposit scheme—the "corset"—on the June make-up day.

Despite the fact that some of the transactions concerned will attract penalties into this month and August, the banks pushed some 81 per cent beyond their official limit for interest-bearing liabilities. In their eagerness to compete for the new business, they have clearly anticipated the local authority market.

The effect of these domestic distortions is to exaggerate the apparent rate of monetary growth; they in fact anticipate the unwinding which has always been expected with the end of the corset, which was itself a major distortion of the market. The authorities have always made it clear that they were ready to take a long view of these predictable developments.

Foresight

Three general conclusions follow from this tangle tale. First, the Bank can be congratulated on commonsense and foresight in acting on its feel for the real economy, which is clearly in recession, rather than waiting to unravel the arcane technicalities of the figures. Secondly, official caution about the timing of any future cut in rates explains itself: the first move was something of an act of faith. Finally, though, the authorities should reflect on how far they have been the authors of their own mystification. The corset is gone; we still await funding techniques which will not so readily attract overseas speculation.

A Russian gain in Asia

THE Indian Government's decision to recognise the Vietnamese-backed Heng Samrin regime in Kampuchea was more predictable than the outraged reaction from South-East Asia would suggest. Mrs. Gandhi promised recognition in her party's manifesto before the January election and she has never formally backed down on this. What has happened since she made her commitment has been the Russian invasion of Afghanistan. Inevitably in such changed circumstances the recognition of a Government installed in Kampuchea through the force of Vietnamese arms is seen as implying tacit recognition for the Babrak Karmal regime in Afghanistan which was similarly installed through Soviet power.

Lobbying

The Russians, who have treaties of friendship with both India and Vietnam, have been urging the Indians to extend recognition. Members of the five-member Association of South-East Asian Nations (ASEAN) have been asking them to hold back. So also have Western governments and Islamic States which have been worried by the parallels with Afghanistan. ASEAN lobbying has been particularly intense of late because of its desire to see a widespread international condemnation of Vietnam's recent raid into Thailand. In this sense the timing of the Indian announcement—flying in the face of opinion in both South-East Asia and the West—marks a substantial diplomatic gain for the Russians.

Before the invasion of Afghanistan the topic of Mrs. Gandhi's case for recognition was that the former regime of Pol Pot was the more detestable and that giving diplomatic backing to the Heng Samrin regime would ensure a freer flow of aid into starving Kampuchea. It is an argument that has some support in Europe and the U.S. Beyond that, however, India and Vietnam both have a common goal in checking Chinese ambitions in Asia and both have seen a Treaty of Friendship with the Russians as one way of holding back the Chinese. In the politics of Asia they make natural allies and it was probably inevitable that at some point India would support Vietnam's

position over Kampuchea. What has in part annoyed the members of ASEAN—Thailand, Malaysia, Indonesia, the Philippines and Singapore—has been that India promised consultations with them before it went ahead. These do not seem to have taken place. The ASEAN members are likely to vent their anger by curbing trade and joint ventures which have been growing substantially of late as India has sought new markets in South-East Asia for its engineering goods. This was a risk that Mrs. Gandhi must have taken into account in making her decision.

But she no doubt also believes that ultimately Vietnam will strengthen its hold over India and that in those circumstances India, as one of the larger regional powers, will have an influential role to play in negotiations over any political settlement in Kampuchea. For the moment, in so openly siding with the Vietnamese, India has weakened ASEAN's hope for a settlement based on a Vietnamese troop withdrawal.

Violated

Almost certainly Mrs. Gandhi will have wrung out of the Russians the best possible terms as her price for climbing off the fence. She recently purchased large quantities of Soviet arms on cheaper terms than the Russians normally extend to their friends in the third world, and other economic deals are in the pipeline. But ultimately her decision reflects a belief in New Delhi (as indeed in neighbouring Pakistan) that the Soviet Union has the edge over the U.S. in projecting power in Asia and that this is a fact of life with which the regional States must come to terms.

Nonetheless it also marks a further weakening of India's stature amongst the non-aligned. The Vietnamese non-aligned invasion of Kampuchea violated the principle of non-intervention in the affairs of another state. This is a principle at the cornerstone of the non-aligned movement and which India would once have supported. Thus the hope must be that India's recognition of the Heng Samrin regime, like its initial defence of the Russian invasion of Afghanistan, is one of those blind spots of Mrs. Gandhi that she will later regret.

West Midlands bosses find they have the upper hand

BY ARTHUR SMITH, Midlands Correspondent



In militant mood: Leyland toolmakers stopping a lorry at Castle Bromwich in 1977

IF THE Government wanted evidence that its tough monetary policy was having an effect on Britain's workforce, it need look no further than the West Midlands. In the country's industrial heartland—with a disproportionately high 46 per cent of employment in manufacturing—modest pay settlements are being agreed as the recession deepens and the number of layoffs mounts.

Major Peter Forrest, director of the West Midlands Engineering Employers Association, reports that pay settlements have already dropped from the 15 per cent average of last winter to around 10 and 11 per cent. "Attitudes are changing on the shopfloor because of the redundancies and obvious problems of industry. There is a new mood of realism."

Mr. Reg Parkes, chairman of Brockhouse and of the regional council of the Confederation of British Industry, says: "Companies are reporting less militancy and less hassle in negotiations, with agreements being struck at lower levels than last year." He maintains that fears held by many company executives as recently as six weeks ago that workers' frustration over pay and price rises could result in "a winter of discontent" had now receded. "Job security rather than the level of inflation is likely to be the main concern in the forthcoming pay round."

The dramatic change in mood of a workforce traditionally noted for its intransigence and militancy is explained by Mr. Chris Walliker, director of manpower at Delta Metal and chairman of the regional CBI. "The speed and severity of recession surprised everyone. Suddenly orders dried up, cash flow was hit and stocks ran down."

Indeed plant closures and redundancies in recent weeks amount to a roll-call of the high and mighty, with Lucas Electrical announcing a cut of 3,000 jobs, GKN Forgings 2,100, GKN Sankey 920, Cadbury Schweppes 700, and Renold 800. Cutbacks in the automotive industry, which accounts for one in six jobs in the region, are gathering pace with redundancies sought at Wilmot Breeden, Associated Engineering and Automotive Products.

"Complaints about the weakness of James Prior's Bill to curb the power of the trade unions reflect the remote West-minister and Whitehall view of industrial relations. The reality is that employers already have the power over the trade unions—the power to pose workers with the choice between a realistic pay deal and short time working or redundancies." That hard-headed view, expressed by the personnel director of a leading Midlands engineering company, typifies the tough stance many employers are now adopting in pay negotiations.

Mr. Bert Benson, secretary of the West Birmingham district of the Amalgamated Union of Engineering Workers, main-

tains that half the 110 companies inspired by the Government and represents "a backward form of incomes policy."

However, the experience of the past 12 months suggests that Lucas is following rather than setting a trend as Britain's troubled motor industry reacts to the twin pressures of high labour costs and the sharp downturn in demand.

Statistics from the Manpower Services Commission show that 1,320 companies in the West Midlands had given notice of 60,600 possible redundancies in the first six months of this year compared with 20,441 in

Employers already have the power over the trade unions

the comparable period of 1979. Nor is there any sign of improvement: the latest survey of business confidence conducted by the West Midlands Chambers of Commerce indicated the "worst situation" on record. More than one in three companies had reduced their workforce in the past three months and 41 per cent envisaged cuts in the near future.

Against such a troubled background the opening statement by Lucas Industries in negotiations with its 66,000 strong workforce is understandable. According to Mr. Ernie Hunt, secretary of the Birmingham South district of the AUEW, the company's "take it or leave it" 10 per cent offer made last week was

inspired by the Government and represents "a backward form of incomes policy."

However, the experience of the past 12 months suggests that Lucas is following rather than setting a trend as Britain's troubled motor industry reacts to the twin pressures of high labour costs and the sharp downturn in demand.

Talbot UK, owned by Peugeot S.A. of France, set the pace last year suffering a three month strike to impose a 51 per cent pay deal at its Midlands factories. Union leaders demanding an increase of well over 20 per cent to take effect this month, have again met with a sharp response. Talbot insists the 20,000 strong workforce must be realistic about what the company can afford. An 8 per cent increase has been offered plus another 7 per cent from April 1 next year provided the unions agree to an 18-month deal.

Talbot must be encouraged that as yet there has been no sign of militancy from the workforce at a basic offer pitched at only around half the current rate of inflation. The company points out, however, that a self-financing incentive scheme—the cause of much bitterness during last year's strike—can yield still higher earnings.

The refusal of Mr. George Turnbull, the Talbot chairman, to budge last year from his 51 per cent offer even in the face of a shutdown of the Coventry plants, certainly had its effect on the workforce and paved the way for improved work practices. His call for management right down to

foreman level to assert executive authority and give leadership to workers has also met with success. Talbot claims that productivity has already been raised by up to 30 per cent, but is insisting in negotiations that further progress must be made to lift performance to that of Continental competitors. Mr. Turnbull in a message that appears to have got through to the shop floor has made clear that high efficiency will be crucial to continued investment in the UK operation by the French parent.

Developments at BL Cars, where the militant shop stewards traditionally set the pace for pay claims, have also had an impact upon the Midlands industrial relations climate. Mr. Geoffrey Armstrong, the employee relations director, claims "a significant change" in workers' attitudes

'I have never known Midlands workers so docile'

and that many of the controversial changes in working practices have already been implemented at the company's 34 plants. Even union officials express surprise at the ease with which BL appears to have gained shopfloor acceptance of a 5 per cent pay package which less than three months ago provoked strikes by more than

22,000 workers, halted output of all profitable models, and drew the threat from Sir Michael Edwards that all strikers would be dismissed.

Mr. Armstrong dismisses shop stewards' claims that BL has "soft pedalled" on reforms such as the management demand to be able to switch workers quickly from one job to another. "Of course, the changes have not yet been fully implemented and the pattern will vary. The management at each plant has been asked to identify its own priorities on the causes of inefficiency and take action accordingly."

He points to the example of the company's biggest plant at Longbridge, Birmingham, where the start-up of production is no longer delayed by absenteeism. Management merely drafts in extra labour without protracted negotiations with both the shop stewards from another area of the works, and with the men required to work. Another practice, whereby absenteeism above a certain level meant that tracks had to be stopped for 10 minutes every hour to give workers a break, has been ended by simply bringing in employees from other operations.

Mr. Armstrong insists that BL is adopting a realistic approach to match the performance of its competitors. "We are not embarked upon a hard-line crusade." One top executive said: "We are not Margaret Thatcher's storm-troopers."

Mr. Phil Povey, a Midlands AUEW official, takes a more cynical view of BL's progress. "The ability to force through previously unacceptable changes is directly related to the present climate of fear and uncertainty about jobs. It is easy to get agreement when employees can see a falling market and their only expectation is further redundancy pay."

Indeed, the contrast between the pressures on management now compared with just four years ago is dramatic. Then, a Labour Government, highly dependent upon union support and committed to worker participation, was pushing for expansion of British Leyland under the Ryder Plan. Now, the workforce stands divided and demoralised in the face of hostile public opinion. A Government that has stressed it will not shrink from denying further special aid, declining markets both at home and overseas, and more than 25,000 planned redundancies.

Mr. Povey maintains the lack of militancy extends well beyond BL. "I have never known Midlands workers so docile. They have been punched and battered by the flood of redundancies and short-time working. There is a feeling of despair and resignation—that they must let this Government, which they detest the policies, run its course."

Another factor, highlighted by a senior AUEW official, is the drain on union revenue

caused by mounting unemployment. "Trade union" either consciously or not are beginning to look to their members before deciding whether to make disputes official. We have got to the stage where issues are not being considered purely on their merit. The economic situation is affecting the approach of union officials and Mrs. Thatcher is winning."

Mr. John Warburton, director of the Birmingham Chamber of Commerce, says "the rapidly worsening state of trade has removed what little enthusiasm employers might have had for a renewal of incomes policy. Any ceiling imposed now short of a statutory freeze would almost certainly be more than many companies can afford to pay."

The chamber has put off plans of only a few weeks ago to press the Government to set up a national forum to influence settlements. "In present circumstances anything that might

The economic situation is affecting unions and Mrs. Thatcher is winning

be acceptable to the unions would not be acceptable to companies," Mr. Warburton says.

Even granted the reality of the present shift in the balance of economic power from the trade unions to the employers, the West Midlands region of the CBI is still calling for legislative action. The Regional Council, meeting in Birmingham yesterday to decide policy for the CBI national conference, considered a resolution arguing that "the gradualist approach to the reform of industrial relations is misguided." The CBI nationally is urged "to recommend immediately a major curtailment of trade union immunities."

Mr. Parkes as regional chairman of the CBI concedes that West Midlands employers have tended to be more militant. "But that is because we are highly industrialised and tend to know the real problems at first hand." The Brockhouse chairman successfully moved the resolution at last year's CBI conference that legal backing should be given for industrial relations agreements. "Your average fellow on the shopfloor does not want the hassle. If he has the strength of the law behind him it might strengthen his resolve, his willingness to work in spite of what the union says."

But for Mr. Povey of the AUEW the economic reality, regardless of legislation, has already brought fundamental changes in working attitudes particularly in the motor industry. "The tragedy for the Midlands is that it may be too late. At the very time that we arrive at this position, the world market for cars is dropping like a stone."

MEN AND MATTERS

Sad Sid loses venue vote

Trade unionists at their annual seaside jamboree, for all the blood and thunder of their conference speeches, are normally a fairly jolly lot. Sad to report then, that in Guernsey yesterday the annual conference of the National Union of Railwaymen lived up to the union movement's hard-boiled image by refusing to cheer up an old lady—and their most senior official.

The issue—by a long chalk beating pay, the Government and the times of trains from Bishop Stortford as the most talked-about topic in conference centre corridors—was the venue for next year's annual meeting.

Enjoying the possibly dubious benefit of concessionary travel, courtesy of their employer, the railmen like to capitalise on it by steering their annual gatherings as far as possible from the usual union stamping grounds of Brighton and Blackpool.

For next year, however, there was more riding on the vote than a simple choice of venue. The union's general secretary, Sid Weighell, a proud York-

shireman, had been detailed by his mother, 83-year-old Rosalena, to make sure the lads took the conference to his home county so she could see her lad doing his stuff without travelling to the far-flung outposts so popular with the NUR.

Accordingly, at yesterday's vote, the delegates' choice included Bridlington—the nearest Sid could get to his Northallerton home—Plymouth, Skegness, Chester and St. Andrews in Fife.

And with a perversity which commuters would claim is characteristic of the rail unions, the meeting voted clearly for a get-away-from-it-all session in windy St. Andrews. Bracing Bridlington, for all Sid's pleas, mustered only 12 votes.

Naval arbiter

Britannia may not rule the waves any more, but when it comes to waving the rule book on maritime law, there seems to be some international agreement that British is best. I am led to this conclusion by the telling in the Admiralty Court yesterday of a tale of three

ships—a Russian, a Liberian and a Filipino—which collided at great cost in the Malacca Straits recently.

For a decision on who should pay for the \$4m damage to the three vessels, the owners agreed to set sail for London, where Mr. Justice Sheen (he of the silver oar), surrounded by charts of Far Eastern seas, sat bravely doing his bit for Britain's trade in invisibles.

Built-up Eldorado

Is gold a better investment prospect than soap powder and breakfast cereal? This is the curious—dare I say unique?—question currently puzzling the Board of Australian building and timber group, Robb and Brown, which admits with some embarrassment that it has built a shopping centre on top of a gold mine.

Older residents of Kingston, a suburb of Brisbane, remembered that the yellow metal had been dug in the past near the site of their new shops. And although the last diggings were abandoned some 30 years ago, gold fever quickly infected local gossip-mongers, whose highly-embroidered rumours inevitably reached the ears of the Robb and Brown Board.

Infected in turn, the directors commissioned prospectors to sink four bore holes among the shopping trolleys and limousines in the car park. Rumour, for once, has proved to be hard fact. The drillers confirmed that there was gold beneath the tarmac and the Board said yesterday that it had called in the assessors, in whose precision scales Robb and Brown must weigh the merits of keeping the gleaming new complex intact or knocking it all down.

Taste treat

Between bouts of interminable speechifying and self-congratulatory brouhaha, the comrades attending the 10th

Communist Party Congress in East Berlin next year will be given a chance to see, even taste, how far and in which direction the slow march of progress is taking their new society. Delegates will be the first in East Germany to experience the pleasures of the people's deep frozen pizza.

It was decided recently that as a showpiece for the visitors, East Berlin should build a pizza factory.

Undaunted by the shortage of classic ingredients like mizarella cheese, anchovies and olives, Guenter Stahl of the local bakery combine has drafted recipes which will give the pies a distinctive local flavour—his alternative toppings include sausage, apples, eggs and nuts.

Health threat

While I am neither philologist nor xenophobe, I feel the time has surely come for everyday users of the English language to demand the erection of a cordon sanitaire around their native tongue. Most of us can put up with the cheery Americanisms inevitably transmitted by film and tourist traffic, but I hope readers who encounter the wave of economic newscast coming in from the U.S. will resist any temptation to include it in their vocabulary.

From the review of the New York Law School I bring you "relpicstagflation" and "intgroupflation." I shall not burden readers with the definitions in the hope that keeping them in ignorance will help prevent the terms being taken up. But I must warn that exposure to the terms may be catching and cause laryngeal seizures. Since the review claims that both "words" are in fact "stagflation, viruses" might I suggest that anyone reading this note takes a bath in Jeyes fluid just to be on the safe side.

Observer

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Searching for a magic formula

A REMARK attributed to the distinguished American newspaper columnist, Mr. James Reston, is that Americans will do anything for Latin America except read about it.

Anyone trying to report on Northern Ireland these days knows the feeling—even though at the moment yet another crucial attempt is being made by the British Government to find a political solution to the troubles of a province which has been racked by violence for the last ten years.

The British do a lot for Northern Ireland. The taxpayer keeps it afloat economically to the tune of a net payment of around £160 a year, and the British Army helps to police the province.

But most British are no longer interested in reading or talking about Northern Ireland. This comes as a surprise to many people in the province, but it is certainly true in my experience.

When I am in London and talk about Northern Ireland people still yawn, look at their watches and decide it's time they had an early night. Many friends and colleagues find baffling all the talk of prime ministers and cabinets, for a population no bigger than that of a county council—when surely all the place needs is a Lord Mayor.

But above all many people are simply weary of hearing about the unending horrors. After 10 years of killings, the violence mostly produces a dulled response from anyone not directly involved.

When you ask even moderately well informed people in London what they think about Ulster as likely as not they tend to come up with the kind of dangerous, slippery answer that used to be bandied around about Cyprus when there were troubles there: pull out the British troops, let the two communities fight it out and give

the place to the largest number of survivors.

No British Government could take responsibility for the virtual civil war which would follow a precipitate troop withdrawal. Certainly the present Government is not contemplating it. Mrs. Thatcher's view, rightly or wrongly, is that political devolution to local representatives—a "political solution"—will help to end the violence.

That is why we have to take notice of her administration's latest plans for the province.

The Government's position poses two basic questions. These are:

● Why does the Government feel that political devolution could solve the problem?

● And does either of the two models for devolution proposed in last week's White Paper have the faintest chance of success?

Today there are approximately 1m Protestants and 500,000 Catholics in the Province. Had the Northern Ireland

local government from 1972 onwards largely ceased to be one about civil rights because, taken over by the Provisional IRA, the campaign evolved into a nationalist/republican one.

The present British Government, like previous administrations has argued that direct rule from Westminster is unsatisfactory. It has said that there is a lack of continuity because there is a rapid turnover of officials at the Northern Ireland Office, and the Ministers, who in addition to the Secretary of State include a half dozen junior ministers, are not Northern Irishmen.

The Government's hope is that if certain powers are returned to local political representatives, the sympathy for the men of violence will cease. The compliance rather than active support which keeps the Provisional IRA and the smaller Irish National Liberation Army (INLA) in business will erode as legitimate civil rights grievances are settled by elected representatives. In turn there would be no need for the Protestant paramilitary groups to respond to the IRA and INLA.

With a lessening of violence it would be easier to attract foreign investment, which is virtually the only way the economy can be pulled out of the deep pit into which it has sunk.

So much for the theory. In practice, the violence will not entirely disappear, because for the Catholic terrorist groups, the struggle is a nationalist one. An internal settlement is irrelevant to them. The problem for them is the existence of the Northern Ireland state itself.

If, however, a system of political devolution which gives Catholics their due political rights without frightening off the Protestants can be created, it might help to lessen the violence and reduce the economic mess. The question

is how to find the magic formula which will achieve such a system.

It has proved a tantalisingly difficult equation to solve. The one serious attempt in 1974 when a power sharing Executive was set up was brought to grief through "loyalist" Unionist-organised strikes. The Executive lasted just four months.

And the late Mr. Brian Faulkner, the last Stormont Prime Minister and the man who put Protestant Unionists in a power sharing role, went into political oblivion.

The first of the two proposals outlined in the latest Government White Paper again puts forward a power-sharing model. It suggests that seats on an Executive could be allocated on the basis of seats won in an Assembly. Thus if a Catholic party wins 25 per cent of the votes out of a possible 80 member Assembly it should have a quarter of the seats in the Executive.

This suggestion will certainly be acceptable to Mr. John Hume, the leader of the Social Democratic and Labour Party (SDLP), the main moderate voice of Catholics in Northern Ireland. Unfortunately it is a total non-starter. The Unionists are not interested in power sharing at all. Like all groups that have known almost absolute power in any country, they are opposed to giving any power away voluntarily. But also they are not prepared to sit on an Executive with people who—consider—want only to switch the sovereignty of Northern Ireland to a foreign country, namely the Republic.

Neither the Democratic Unionist Party of Mr. Ian Paisley nor the Official Unionist Party led by Mr. James Moynihan would contemplate the idea of power sharing. Mr. Paisley, who like Mr. Hume, attended the three months-long Northern Ireland Conference which led to the White Paper

is all too aware of what happens to Unionist leaders who budge one inch from the iron rule of "loyalism": they must not surrender power to the minority. If they do, they sink without trace. Mr. Paisley and Mr. Moynihan have already rejected out of hand the first model for power sharing.

For the time being this leaves just the second model.

Under this, there would be an assembly with an Executive made up entirely from the majority. But there would also be a second body called a Council of the Assembly formed from the chairmen and deputy chairmen—including Catholics—of powerful assembly committees. This council could have delaying or blocking powers over legislation introduced by the Assembly.

Such a system would give the minority something approaching a veto or moderating position. Even assuming that the Unionists could accept it, however, the model would

The present Government has time for only one initiative

seem to be as unacceptable to the Catholics in general and the SDLP in particular as the first power-sharing model is unacceptable to the Unionists.

But there might be room for manoeuvre on Mr. Hume's part. Since the power sharing days of 1974 the party has become "greener" or more republican in complexion. Mr. Hume himself is probably more "green" than the man he replaced last year, Mr. Gerry Fitt.

But even so he is a clever, pragmatic politician. He believes in the political process as a way of solving Northern Ireland's problems and abhors



Mr. John Hume, the main moderate voice of the Catholics (left) and the Rev. Ian Paisley, who would like to be Prime Minister.



political violence. He has, since becoming a Euro-MP last year, developed his interests in regionalism, and has begun to see the problem more and more in the context of federalism or links with the Republic of Ireland and Britain which are mutually beneficial. He has moreover, been let off the hook of the "Irish dimension" to some extent by the statement of Mr. Charles Haughey, the Prime Minister of the Republic, that although he wants reunification he might settle for some kind of federal arrangement for a start.

Providing therefore that Mr. Hume is satisfied that any new Assembly would not be an end in itself, and that there would be useful work it could do in developing Northern Ireland as a region of Europe, he might buy the second model.

If Mr. Hume can carry his party with him, the question is whether the Unionists can accept such a formula.

The key to understanding the Unionists is that since Stormont was wound up, the once monolithic Unionist Party has splintered.

The rump of the old Unionists—the Official Unionists—is led by Mr. Moynihan, but is under the sway of its deputy Parliamentary leader at Westminster, Mr. Enoch Powell, MP. He

has pushed the party into accepting that the full integration of Northern Ireland with Britain is the only solution. Mr. Powell, however, is not an Ulsterman, and his power is essentially negative—that of a strong opponent of devolution who has no alternative other than "integration".

Although the Official Unionists have agreed to re-enter into bilateral negotiations with Mr. Humphrey Atkins, the Secretary of State for Northern Ireland—they did not attend the original constitutional conference—they have remained the group which is most pessimistic about the White Paper's proposals. Moreover, they have appeared to have been outmanoeuvred by Mr. Paisley.

Mr. Paisley, with his own party, has reached the top of the Unionist pile because of the disarray of the other Unionist parties. He owes his current prominence to a very large victory in last year's European Parliamentary elections plus the fact that his party managed to snatch two seats from the Official Unionists in the last Westminster General Election.

His was the only Unionist party to attend the conference earlier this year. Significantly he has not condemned the White Paper outright and has even hinted that "model number

two" might possibly be acceptable.

He might well wish the proposals to succeed for three reasons. First, he wants to consolidate his position as the main Unionist leader. Secondly, he has sensed real power and clearly wants to be Prime Minister of Northern Ireland.

Finally he is convinced that Mrs. Thatcher is determined to achieve, willy-nilly, some sort of political solution in Northern Ireland. If the local politicians reject the latest attempt, there is a strong possibility that some sort of solution will be imposed.

One suggestion is that an Assembly could be elected and then decide what powers it wants devolved to it.

A talking shop which can only agree to disagree, however, is a far cry from real devolved power. Politicians in Northern Ireland might say that a solution cannot be imposed without their agreement, but what if the Government put its proposals to a referendum, and what if the majority of the electors voted in favour of an Assembly?

The Government has time for possibly only one initiative in its lifespan. If the local politicians throw out the current one then they can look forward to another long period of direct rule.

Directive on advertising

From the Director General, Advertising Standards Authority.

Sir, The letter from Mrs. S. Clark-Glass and Miss A. Davidson (July 3) while most welcome in their constructive tone, underestimates, I believe, the threat still posed to the present UK arrangements for the control of advertisement content by the EEC's proposed directive on misleading and unfair advertising.

There is a clear limitation in Article 189 of the Treaty of Rome on which a directive may properly be based. It is required to leave to the Governments of member states "the choice of form and method" of implementation. It is because the Commission has persistently ignored this provision, and has attempted to force upon this country (and others) a method of implementation which would cut across our established patterns that for four years and more after it began the rounds in Brussels, the directive is still unadopted.

I would emphasise that it is not a question whether the system espoused by the Commission is better than that presently in use in the UK, though no evidence that it has ever been forthcoming—but whether it can co-exist in parallel with the present mix of statutory and self-regulatory controls we have. I do not believe that it can, or that the cost of dismantling our existing system would in any way be justified in order to obtain the speculative benefits which we are told would flow from the adoption of the Commission's proposal.

Peter Thomson, Brook House, 216 Torrington Place, W.C1.

Rate burden excessive

From the Treasurer, West Valley Borough Council.

Sir—I am pleased to see (June 27) that Mr. Bryan Rigby, deputy director general of the CBI considers that what is at stake in the running of local authorities, but perhaps for different reasons. In my opinion, a greater involvement of industrialists would help educate the CBI and others in the difficulties facing local authorities. Local government expenditure is directly affected by price increases in industry. Mr. Rigby suggests that if private sector put up its prices by 23.86 per cent in one year it would end in bankruptcy. If I compare tenders received from the building industry, I find they are increasing at a higher rate than this and, indeed, it is not so long ago that vehicle prices were being increased by more than 5 per cent every 30 days.

The new industrialist councillors would be surprised to see at first hand that local government does not give perks to its staff, such as free company cars, low cost mortgages, etc., and, indeed, at the senior management level pays far lower salaries than even the smallest companies. They would also appreciate the difficulties local authorities have in recruiting and retaining computer staff, because industry pays far higher rewards. Similarly local government has difficulty recruiting skilled manual

Letters to the Editor

workers again because industry pays higher. P. Giddings, Treasurer's Department, Municipal Offices, Beech Hurst, Weyhill Road, Andover, Hants.

Productivity is not enough

From Mr. A. de Barr.

Sir—Granted that the required volume of goods can easily be produced by a smaller labour force, what exactly is achieved nationally by making redundant large numbers of workers for whom there is no alternative employment? There is, it is true, some saving as a result of the reduction in consumption consequent upon the reduced purchasing power of those displaced. But in a welfare state they and their families continue to be housed, clothed, fed, educated etc. and, as many will be unskilled or semi-skilled, the net reduction in overall consumption will be very much smaller than the apparent reduction in the costs of the industry concerned.

The difference appears, in the form of taxation, as an increased burden on those who continue to be employed, on more successful industries. That reducing the size of the labour force appears to reduce costs is thus the result of the use of a species of marginal costing, the dangers of which are well understood by most managers but not, apparently, by the Government.

The average material standard of living in this country is determined primarily by, on the one hand, the volume of goods produced and of services sold for foreign exchange and, on the other hand, the size of the population: it is largely independent of the number of persons actually engaged in producing these goods and services.

From a national point of view—true costing rather than marginal costing—total labour costs can be reduced only by reducing the size of the population or reducing its average standard of living. For a given population, and standard of living, true unit labour costs can be reduced only by increasing the volume of production and sales.

Since labour costs cannot be reduced, manual methods of production should be cheaper than automated methods as they do not incur the additional cost of capital equipment. (The use of manual methods may, however, be inconsistent with the need for improved quality).

The displacement of labour is justified only in so far as it frees labour to engage in other wealth-producing activities; in particular, there would seem to be little real justification for displacing unskilled workers. (In practice a smaller labour force contributes to increased managerial efficiency and it may be possible to improve the quality of life by the diversion of labour into service industries).

The real need is not to increase manpower productivity—except, perhaps, in limited areas of skill shortages—but to increase the volume of production by designing and developing new and better products so as to create increased demand. I believe that the use of marginal costing, rather than true national costing, has led us in recent years to concentrate erroneously on increasing pro-

ductivity rather than on the development of better products. While world demand for steel or cars remains limited the only way in which British Steel or British Leyland can increase their sales for the benefit of Britain as a whole is by offering better products than their competitors, merely reducing marginal costs by reducing their labour force only transfers the burden to other industries.

And the same argument applies to all industries; the prime requirement is to innovate so as to be able to compete on customer appeal and quality. When there are as a result large numbers of wealth-producing jobs waiting to be filled, then will be the time to concentrate on increasing productivity as in these circumstances the marginal costs will be true costs.

A. E. De Barr, 82, Roswood Lane, Huddersfield, Macclesfield, Cheshire.

Current cost accounting

From Professor H. Edey.

Sir—Dr. Berry and his colleagues suggest (July 1) that depreciation based on the replacement cost of an asset may have no significance for management purposes. They cite the case of old textile machinery kept in use by good maintenance and reconditioning.

They are of course right. But this has little to do with current cost accounting. Replacement cost in CCA does not relate to the physical asset but to the replacement of its services.

Suppose for example the current cash outflow for operating, maintaining and reconditioning an old textile machine is equal to the total cash outflow needed to operate and service the capital cost of new machinery that would produce a similar output and thus earn the same sales revenue. The CCA value of the old machine is then by definition zero and no depreciation arises.

So the appropriate number to be used in assessing the CCA asset value and depreciation is precisely that which is relevant to the management decision to retain the old asset. The current cost data are tightly linked to the decision process.

The precise relevance of the monetary adjustments in their present form is more open to discussion. There is no doubt, however, that price changes must be taken into account in assessing working capital and borrowing needs. Time and experience will show whether the present way of representing this fact in the financial statements is the best.

(Professor) Harold Edey, The London School of Economics and Political Science, Houghton Street, W.C2.

Busy lines in Kent

From Mr. J. Baker White.

Sir—May I suggest a way in which local educational authorities could save a considerable amount of money without in any way damaging the education of the pupils? It is by reducing drastically the number of telephones installed in school kitchens.

I do not imagine that the picture in most counties is different from that in Kent. In the Canterbury telephone area, which covers only a part of the

county, the directory shows that there are 324 school kitchens with separate telephones, not just extensions, but their own outside lines, in addition to the telephones for the use of the teaching staff. In the case of 10 of these schools, which have two kitchens, each has its own telephone.

Obviously, it is essential for every school to have a telephone for administrative purposes, or for use in an emergency, but it is really necessary to have separate telephones in the kitchens? In most schools the distance from the kitchen to the administrative telephone is less than 100 yards. And how often does the average school kitchen have to use the telephone?

It would be interesting to hear from readers who have examined the position in other counties. The rental charges alone on the 324 kitchen telephones in the Canterbury telephone area are about £18,000 per year. And how long is the telephone waiting list?

This proliferation of telephones is to be found in other places. The Nonington College of Physical Education has 10 separate telephone lines, seven of them for the use of students. Health centres also do themselves well. The Dover centre has seven telephone lines, White stable seven, Rochester five. At Whitstable, child health, chiropody, speech therapy and family planning, all housed in the same building, have separate telephone lines. Again it would be interesting to know what is the position in other counties. John Baker White, Street End Place, Canterbury.

Recession and protectionism

From Mr. D. Woolf.

Sir—Your leader article headed recession and protectionism (June 30) I find astonishing. The implication that manufacturing industry in the UK is seeking to restrict imports because it is unable to compete against fair competition is just not true. Manufacturing industry is having to cope with too many problems at one time. There is the problem of low-cost imports which has been with us for many years, but now we have crippling interest rates, outrageous inflation, primarily in the Government supply sectors, ie, rates, heating, lighting, etc., and the increase in the value of the pound which has made profitable exporting a thing of the past.

Sir Keith Joseph has suggested that the unemployed should accept jobs at lower rates of pay. In the first case, in many industries there are wages councils, and manufacturers are not allowed to employ people below set rates. In the second case, is he suggesting that people should take jobs and undercut another man, thus causing a deflationary effect which then leads to the moral issues of whether each man is entitled to earn a living? What we must surely remember is that charity begins at home and we must look after our own people. What is the use of having 2m or 3m people unemployed in the UK and creating a good employment situation in the third world?

D. A. Woolf, Revolution Shirts, Beusey Street, Warrington, Cheshire.

Today's Events

GENERAL

UK: National Union of Mineworkers annual conference continues, Eastbourne (until July 11).

Lord Thorpecroft, Conservative Party chairman, and Lord Soames, Leader of the House, speak at Cities of London and Westminster Conservative Association lunch, London.

Overseas: President Carter attends memorial service in Tokyo for Mr. Masayoshi Ohira, the late Japanese Prime Minister.

PARLIAMENTARY BUSINESS
House of Commons: Debate on Ulster White Paper.
House of Lords: Debate on

Middle East and South Africa

Select Committee: Defence, on strategic nuclear weapons policy, Room 8, 10.30 am.

Education, on British Library Service, Room 6, 10.30 am.

Industry and Trade, on imports and exports, Room 16, 10.30 am.

Energy, nuclear power programme, Room 15, 10.45 am.

Public Accounts, on the role of the Comptroller and Auditor General, Room 16, 4 pm.

Energy, on nuclear power programme, Room 6, 4.15 pm.

Transport, on Channel link, Room 17, 4.15 pm.

Employment, on Manpower Services Commission's corporate

plan for 1980-84, Room 15, 4.30 pm.

Treasury and Civil Service sub-committee, on the Civil Service Department's role and powers, Room 15, 5.30 pm.

OFFICIAL STATISTICS
Central Government transactions for June (including borrowing requirement).

COMPANY MEETINGS
Carlisle Capel and Leonard, Tallow Chandlers Hall, 4 Dowgate Hill, EC. 11.30.

Churchbury Estates, 13 Henrietta Street, WC. 10.

Derwent Stamping, St. Richards House, Victoria Street, Droitwich, Worcester, 12.30.

Foster Bros. Clothing, St. John's Hotel, 651 Warwick Road, Solihull, West Midlands, 12.

John Foster, Waldorf Hotel, Aldwych, EC. 12.30.

Field Brothers, Brigella Mills, Bradford, 12.

Holt Lloyd, Lloyds House, Alderley Road, Wilmslow, Cheshire, 3.

London Sumatra Plantations, Baltic Exchange, 14 St. Mary Axe, EC. 11.30.

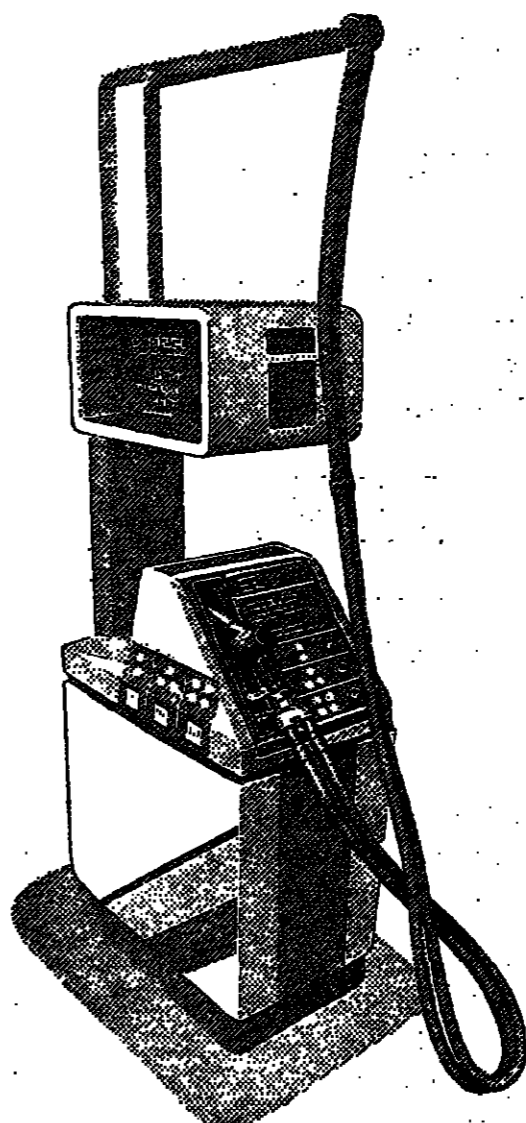
Milnes Leisure Shops, Abercorn Rooms, Liverpool Street, EC. 12.

P. Panto, The Cumberland Hotel, Grand Parade, Eastbourne, 11.

Parkland Textile, Parkway House, Leeds, 12.30.

Rowton Hotels, London, Park Hotel, Elephant and Castle, SE. 12.

J. W. Sear, Connaught Rooms, Great Queen Street, WC. 12.



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LMI advances to £3.45m and sees further growth

PRE-TAX PROFITS of London and Midland Industrials expanded from £2.13m to a record £3.45m in the year to March 31, 1980, including post-acquisition profits of Wins Industries, which the group bought last October. Sales increased by £15.81m to £36.21m.

At mid-way, the taxable surplus was £10.15m higher at £1.15m. Mr. C. M. Beddow, chairman, says the group started 1979-80 in an exceptionally strong financial position and it has begun the current year on an even firmer base with important liquid funds and considerable resources.

The group has a wide range of products, services and activities—now covering consumer products, home improvements, fasteners, and engineering—and the directors expect and plan for growth to continue.

Subsidiaries are encouraged and supported to develop their activities and skills, he states. With the group's strong financial position this can be augmented by further investment in new operations.

A net final dividend of 4.85p raises the total from 6.75p to 7.75p. The total for 1979-80 included a special payment of 1p because of exceptional profits.

Stated earnings per 25p share are 1.7p higher at 17p, after tax of £1.27m (£0.51m).

comment

It is difficult to pinpoint Winn's contribution to the advance at

HIGHLIGHTS

Lex examines the poor set of figures from Rothmans where the £18m fall in profits was worse than the most pessimistic outside forecast. The strength of sterling, it is claimed, cost the company £20m of lost profit. The June banking figures were published yesterday showing a 1 per cent fall in Sterling M3 and Lex considers these figures in the light of the Bank of England's decision last week to cut MLR. Lex also ponders the prospects for the new gilt edged stock which is up for tender this morning. Finally the Lesney accounts are discussed, in particular the new financing agreement with its banks. On the inside pages there are lower profits from Waddingtons and Donald Macpherson and it also looks as if the original LMI (before acquisitions) had a fairly flat time. Polly Peck pops up with a rights issue and a bid while McKay is raising £4m. There is also news of a forthcoming Marinex offer for sale.

LMI but it looks as though the acquisition should have been capable of some £2m pre-tax in calendar 1979 which, on a pro-rata basis, assumes that the 51 months was worth around £300,000. Given that the group's interest earning capacity was swollen by the profits on the Caledonian deal, it may not be stretching a point too far to say that LMI was all but flat last year. That should not matter overmuch; the shares responded yesterday with a rise of 8p to a peak for 1980 of 122p. All too few engineering based mini-conglomerates can say the same. The point is that LMI has net liquid funds of some £1.3m which with ample term facilities and a small positive cash flow

provides scope for further acquisitions. The engineering bias may be a handicap this year especially since two subsidiaries are tied, to a considerable extent to the auto industry. But small specialist engineers can often thrive in the barren ground of strike and recession and, anyway, 30 per cent of total turnover stems from car care and home improvements—two good cash generating businesses which require little or no funding. A yield of 9.4 per cent offers reasonable support and a multiple of 6.8 times published earnings is not over-demanding although the shares may need the stimulus of a sizeable new acquisition to push very much further onto higher ground.

Harris Queensway share price falls 30p

A SUBSTANTIALLY downgraded profits estimate by the official brokers sent the shares of Harris Queensway, the discount furniture group, down 30p to 143p yesterday.

L. Messel, the company's stockbroker, yesterday advised clients that it now believed Harris would only maintain profits this year at around £8.25m. Earlier the broker had been looking for an increase to £12m or so.

Messel stressed that the company had "no financial problems" but the difficult trading conditions were slowing sales at a time when the company was spending money on property acquisitions and had been looking for savings from its new warehouse and cutting shop.

These conditions had all prevailed to increase working capital requirements and pre-tax profits.

The broker is looking for a poor first half followed by a much better second half. Its longer-term forecast for 1981 is "very good indeed, subject only to an average level of retail sales."

Reed Paper/Reed Int'l to amalgamate

Reed Paper has entered in principle a reorganisation which would result in it becoming a wholly-owned subsidiary of Reed International.

In present, Reed International indirectly holds through Reed Anst. 87 per cent of the outstanding voting stock of Reed Paper.

Prior to the amalgamation being considered by its shareholders, Reed Paper will redeem all of its outstanding preferred stock at £812.50 a share by October 1.

These shares are convertible into common shares and holders can convert them prior to redemption.

But Reed Paper recommends holders not to convert their shares until they have received formal notice of the amalgamation.

Common stock holders, other than Reed Anst., will receive one serial redeemable share of the Amalgamated company which will be redeemed at \$12.75 a share shortly after the amalgamation, which is expected about mid-October.

Shareholders who convert preferred shares into common will ultimately receive \$13.55 for each preferred share.

Waddington dives but holds final

A STRONG recovery in the second half at John Waddington failed to offset the interim dive into losses which was due to a deficit of £2.9m marked against the Videomaster subsidiary for loss and provision.

This setback meant that the group finished the year to March 31, 1980, with pre-tax profits almost halved at £351,000, compared with £1.68m. Mid-term losses were £418,000 (£1.65m profits).

Excluding Videomaster, profits for the year rose by 37 per cent to £3.75m (£2.76m). Group sales rose 10 per cent higher at £37.23m (£34.01m).

Despite the profits downturn, the directors are recommending a maintained final of 6.65p, giving an increased total of 11.9p (£1.88p) net. This is in view of their assessment of prospects for the current year.

Mr. Victor Watson, chairman, says trading conditions will be difficult for most businesses this year but the group has a number of things in its favour. It is organised into trading units with the advantage that they can respond rapidly to changing conditions and a number of the units have started the year with better than usual order books.

It would be unrealistic to expect a particularly good year in the current economic climate, he adds, but the group is adopting prudent policies. "We are continuing our development programmes and we intend to be ready to make hay when the sun shines."

On the performance of Waddingtons Videomaster during 1979-80, Mr. Watson says the plan to put the small remaining number of employees under the control of Waddington House of Games was duly carried out.

Progress has been satisfactory so far and the directors believe the provisions will cover the cost of bringing the business under control.

Profits of the packaging and printing side improved from £1.96m to £2.32m, despite strong competition and increasing costs. This side has begun the manufacture of some specialised plastic packaging-making machinery for Russia — part of a contract worth £1.8m.

The games and playing cards activities turned round from losses of £177,000 to profits of £378,000. There were profits of £286,000 (£29,000 losses) in North America, but this market is now depressed and a good

result is not expected this year. The contribution from greeting cards fell to £582,000 (£582,000), reflecting the effects of the transport strike.

There was a tax charge for the year of £363,000 (£105,000 credit) and as a result of treating deferred tax along the line of SSAP 15, there was a prior-year increase in reserves of £3.55m.

Stated earnings per 25p share were 7.61p (£8.12p).

Capital investment was reduced to £2.44m (£3.21m) to conserve cash, while inflation and the Videomaster losses lead to borrowings net of short-term deposits rising by £2.1m. Interest payments were rather more than doubled at over £1.5m.

A year-end property revaluation showed a £1.25m surplus which has been added to reserves.

comment

It is no secret that the toy sector is facing a difficult time, but John Waddington has a particular problem which refuses to go away. This is the ill-fated Videomaster business, the electronic games operation acquired from a receiver in 1978. That year a typhoon wiped out much

of the supplier's Philippines factory and last year a shortage of micro-electrical parts caused Videomaster to miss the crucial Christmas period again. This has brought loss provisions in the past two years to nearly £2m, a deficit the company cannot really afford as it battles import competition and other problems in its packaging, printing, playing cards and greetings cards divisions. Although the company is now trying to tighten its belt by reducing capital investments, it is sitting on an unpleasantly high 63 per cent income gearing level and an income capital gearing level of 88 per cent. This year the company's playing cards and games division will probably decline from its £275,000 profit contribution to as little as £3m. Greeting card earnings are already depressed because of imports and last year's transport strike. The Videomaster business is likely to break even by the year end and group pre-tax profits of around £3m would be unexciting, but reasonable in a recovery period. At 122p, the price on stated earnings comes to 15 — no bargain. The yield on an uncovered marginally higher total net dividend stands at 14.8 per cent.

Pilkington's major step into Europe

In a summary of the activities of Flachglas incorporated in its annual report and accounts, Pilkington Group reports that the West German company which achieved a retained profit of £4.7m in 1979, after paying out £5.8m in dividends.

In his annual statement, the group's chairman, Sir Alastair Pilkington, says that the acquisition of Flachglas for which Pilkington paid £140m in June, is a major step forward in establishing a strong position in Europe.

As reported, Pilkington's taxable profits rose by £1.1m to £81.9m in the year to March 31, 1980 despite a decline from £29.2m to £24.1m in UK companies' trading surplus. Overseas profits were ahead at £24.9m (£21.1m) and licensing income was £37.8m (£37m).

In the current year, sales of the European flat glass division are expected to be maintained, although this will depend on whether the general economic situation in the UK affects the home improvement market. With inflation not expected to reduce significantly, profit margins will again be under pressure and continuing improvements in efficiency will be more important than ever.

After reaching record levels during 1979, demand for insulation products has slackened following the Government's decision in February to reduce its grant aid to schools for the insulation of local authority and private housing.

Current results are encouraging from Sola International Holdings, an Australian manufacturer of optical and aphakic

lenses acquired during 1979. The company was severely affected by pressure on prices emanating from the U.S. which caused near dumping of product on to the market, but has emerged in a healthy condition. Improved profitability is expected from Australian flat and safety glass operations.

A group balance sheet as at the year end shows shareholders' funds up from £422.9m to £581.9m. Bank overdrafts amounted to £35.8m (£39.9m) and cash and bank balances £82.7m (£70.9m).

Capital expenditure of £247.5m (£106.4m) was provided for in the financial statements included schemes approved by the directors but not contracted for of £206.5m (£84.3m).

After making a special provision of £2.1m during the year,

there was a further commitment not provided for of £1.9m payable over the next six years. To make up the pension payments of certain employees who have retired early. Certain subsidiaries had similar commitments amounting to £1.6m (£2.2m) at the year end and payable over the next 15 years.

In addition, the group has a commitment to pay £2.2m (£2.2m) in respect of uncalled share capital of subsidiary companies. The maximum loss which could arise in any year from the guaranteed proportion of insurance risks is estimated at £1m (same).

Meeting, St. Helens, Lancs. September 5 at 2.30 pm.

DAVY CORPORATION IN JOINT VENTURE

Davy Corporation has formed a joint venture with a leading Mexican banking institution to participate in the rapidly increasing market in Mexico for the engineering and construction of process plants.

The joint company will combine Davy's engineering project management capability with the Mexican background and financial resources of Somex.

Somex is a leading Mexican bank with Government and private participation and the joint venture is between Fomento Industrial Somex, the industrial arm of Somex, and Davy McKee, the international engineering and construction side of Davy.

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Stalemate at Milford Docks

THE ATTEMPT by three dissident shareholders to gain representation on the board of the Milford Docks Company at yesterday's annual general meeting ended in temporary stalemate.

The shareholders forced the board to reverse its decision to postpone the annual general meeting until July 31, but beyond that they achieved little. Both sides were at times in danger of being submerged by the peculiar procedural wrangles associated with Milford's privileged status as a statutory company.

Despite lengthy legal discussions and studious reference to Halsbury's Laws of England neither side could agree on the correct procedure for electing directors. Mr. Charles Smith, Milford's chairman, then said he would decide what the lawyers could not, and announced that a poll would be taken at noon on July 31, in the Hyde Park Hotel.

Apart from the re-election of two existing directors, Mr. D. H.

Blick and Lt-Col. T. G. Wilkinson, shareholders also have to decide on the election of the three dissident shareholders, Mr. Faik Ezen, a Turkish entrepreneur, Mr. John Knowles, a stockbroker, and Mr. James Thomson-Moore.

Although Mr. Ezen has been associated in the past with Mr. Richard Eldridge, who made an unsuccessful attempt to unseat the board earlier this year, he says he is now acting independently. Nevertheless Mr. Eldridge and Mr. Steven Maltz, among others, supported the appointment of Mr. Ezen and his colleagues at yesterday's meeting.

Shareholders will also be able at the Hyde Park Hotel meeting to vote on the creation of additional authorised share capital which has been strongly opposed, particularly by Mr. Eldridge.

STANHOPE GENL.

A fall of £4,002 to £105,977 in pre-tax profits is reported by

Stanhope General Investment for the year to March 25, 1980.

After tax down from £42,604 to £40,637, stated earnings per 25p share are lower at 5p (£5.15p).

A second interim dividend of 3.2p makes the total 4.25p (£3.35p), which includes a special non-recurring net payment of 0.65p.

United British Securities Tst. rises to £5.2m

Taxable revenue of United British Securities Trust advanced to £5.22m in the year ended June 30, 1980 compared with £3.7m.

A final of 4.3p, together with a special payment of 1p, lifts the total dividend to 7.55p (£5.1p). Gross income for the year went ahead to £5.38m (£3.84m) and after tax of £1.83m (£1.41m), net revenue was £1.11m up at £3.39m.

The Financial Times published an article on Saturday 5 July 1980 headed:

'How ITV is losing the ratings war'

In the week ended 29 June 1980 — the most recent available figures from JICTAR (Joint Industry Committee for Television Advertising Research) — the share of Top 20 programmes between BBC and ITV was:

ITV... 16
BBC... 4

The placings were:

- 1 Coronation Street (Wednesday)
- 2 Coronation Street (Monday)
- 3 Here Comes Summer
- 4 Crossroads (Wednesday)
- 5 Winner Takes All
- 6 Can We Get On Now Please
- 7 The Krypton Factor
- 8 World In Action and Don't Just Sit There
- 10 Stargate and Hutch
- 11 The Killers
- 12 The Other 'Arf
- 13 The Cuckoo Waltz
- 14 Crossroads (Tuesday)
- 15 Nine O'Clock News (Friday)
- 16 Robin's Nest
- 17 The Mallens
- 18 Emmerdale Farm (Tuesday)
- 19 Return of The Saint
- 20 Nine O'Clock News (Monday)

- GRANADA
GRANADA
GRANADA
ATV
YORKSHIRE
GRANADA
GRANADA
YORKSHIRE
BBC
BBC
ATV
GRANADA
ATV
BBC
THAMES
GRANADA
YORKSHIRE
ATV
BBC

GRANADA TELEVISION



ISSUE NEWS

McKay makes £4m cash call as profits move ahead

PROPERTY INVESTMENT and development group McKay Securities is raising £4m by way of one-for-four rights issue at 120p a share.

The company has also reported pre-tax profit for the year ended March 31, 1980, of £958,942 (£710,709) on turnover of £2.2m (£1.8m).

Profits of the rights issue will produce an injection of equity finance at a time when the group has in hand the acquisition and planning of several major development and refurbishment schemes, the company said.

The rights entails the issue of 2.7m new ordinary shares and 608,646 new capital shares.

The group's properties are shown in the March 31, 1980 balance sheet at £19.6m, on the basis of the March 31, 1979 valuation plus additions at cost.

Attributable earnings were £567,225 (£408,981). A final dividend of 1.25p net makes 2.7p for the year compared with an adjusted 1.6p. The board expects to recommend dividends total in at least 2.7p for the current year after the rights issue.

Mr. John Leonard, chairman of Clevedon Capital, the operating partner of the Humble Grove consortium, said yesterday that Marinex would also be joining

in a scheduled drilling project at Yarnbury in Wiltshire within the next few months.

Although Marinex' brokers would not specify the size of its planned sale, it is understood arrangements are in hand for an offer of ordinary 10p shares some time next week. The usual size of recent new issues in the oil exploration sector has ranged between £5m and £10m.

Marinex currently has an interest in 17 licences in Southern England covering a total of 1.5m acres.

DIVIDENDS ANNOUNCED

	Current payment	Date	Corre. Total	Total
			div. year	last year
Anglo-Amer. Secs. int.	1.3	Aug. 22	1.2	4.74**
Assed. Fisheries int.	0.25	Aug. 26	0.25	1
Avenue Close int.	1.97	—	1.79	1.79
Birmingham Mite int.	7	—	5.75	10
Bristol Evg. Post int.	6.5	Aug. 6	5.75	7.75
Bromsgrove Casting int.	3	—	2.6	3.5
Courts (Furnishers) int.	1.35	—	1.33*	3.7
Equity Consorti int.	8.84*	Aug. 6	7.75	12.25
Investors Cap. Tst. int.	1.5	Sept. 5	1.15	2.91
R. Kelvin Watson int.	2	—	1.79	3.3
Lineroff Kilgour int.	4.85	—	1.65	4.05
LMI	1.35	—	4.1	7.75
McKay Securities	1.35	—	0.94*	2.36*
Donald Macpherson int.	2.11	Sept. 1	1.5	4.2
Rothmans	2.11	Oct. 2	1.65	3.11
Stanhope Gen. In. 2nd int.	2.2	Aug. 12	2.2	4.25*
R. W. Toothill	Nil	—	2.63	Nil
Utd. Bt. Sc. T. 2nd int.	5.32	Aug. 29	3.7	7.58*
J. Waddington	6.68	Oct. 1	6.68	11.9
F. Wrigton and Sons	1.08	Sept. 3	1.08	1.08

Dividends shown per share net except where otherwise stated. * Equivalent after allowing for scrip issue. + On capital increased by rights and/or acquisition issues. † Includes special dividend of 1p. ‡ Dividends gross per share. § Includes non-recurring payment of 0.65p. ¶ Includes non-recurring payment of 0.4p. ** Includes non-recurring payment of 0.54p.

THE BIRMINGHAM MINT LTD

YEAR ENDED	29th March 1980	31st March 1979
	£'000	£'000
Turnover	10,816	10,587
Profit before tax	911	690
Profit after tax	720	578
Per Ordinary Share	Pence	Pence
Earnings	35.8p	28.7p
Dividends	10.0p	7.5p

Points from Chairman's Statement:

Pre-tax profits up again — by 32%

Dividend increased again

Current year expected to be satisfactory

Icknield Street, Birmingham B18 6RX

R-R REALISATIONS LIMITED

(In Voluntary Liquidation)

Notice is hereby given pursuant to section 299 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at the Chartered Insurance Institute, 30, Aldermanbury, London EC2V 7HY, on Thursday the 31st July, 1980, at 11.00 a.m. to be followed at 11.30 a.m. (or so soon thereafter as the Meeting of Creditors shall have been concluded or adjourned) by a General Meeting of the Members, for the purpose of (1) receiving an account of the acts and dealings of the Liquidators and of the conduct of the winding-up for the period 8th October, 1978, to 22nd March, 1980, and (2) to fill any vacancies in the representatives of Creditors or Members on the Committee of Inspection in the winding-up of the said Company which may occur prior to the date of the meetings.

E. R. Nicholson
W. K. M. Simmonds
K. D. Wickenden
Joint Liquidators

8th July, 1980

UK COMPANY NEWS

Macpherson margins cut in first six months

A SHARP reduction in pre-tax profits from £2.03m to £1.3m is reported by Donald Macpherson Group for the half year ended April 27, 1980 but the directors are maintaining the interim dividend at 1.5p per share. Sales amounted to £40.74m against £36.05m.

Mr. Rex Chester, chairman, says the recession which has been threatening for so long has undoubtedly arrived "and with a suddenness and a degree of severity that has surprised many people."

First half profit is after interest of £526,000, compared with £400,000. Tax takes £466,000 (£538,000) giving earnings per share of 4.5p against 8.9p.

The chairman says that in the last three months, the business market in which the group operates has deteriorated markedly. In the retail d-i-y market, consumer demand and severe de-stocking resulted in a sharp fall in volume of take by customers and intense competition led to a reduction in margins.

The industrial coatings business held up much better than expected during the steel strike but fell sharply from the end of March. Sectors such as furniture, domestic appliances and engineering have been particularly hard hit.

Poor trading conditions in the furniture industry affected profits of the Unerman division, but, as in the other divisions, action has been taken to cut back on operating costs.

The strength of sterling made it necessary to make substantial reductions in margins in order to keep some customers, however, overseas companies' pre-tax profits were only marginally down on last year.

Mr. Chester added that the company had a strong balance sheet and "we believe that in the coming months a number of new opportunities for acquisition and diversification will arise."

comment

With all its divisions under pressure, Donald Macpherson has

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim—Amaril, Bond Street Fabrics, General Consolidated Investment Trust, M. and G. Dual Trust, NCR.

Finals—H. P. Bulmer, Danes Investment Trust, G. H. Downing, Moorgate

FUTURE DATES

Investments, Routledge and Keegan Paul.
Interim—Edinburgh American Assets Ltd. July 23
Jameson Chocolates July 20
Lovell (Y. J.) July 26
Portsmouth and Sunderland Newspapers July 24
Finals—Atlantic Assets Trust July 14
Bevan (D. F.) July 11
Crown House July 21
LRC International July 14
S and U Stores July 10

Avenue Close declines

After rising from £258,362 to £281,673 at the half-year stage, taxable profits of property investment and development group Avenue Close showed a decline over the 12 months to March 31, 1980, from £698,794 to £524,047.

The chairman warned in his interim report that current high interest rates on additional borrowings required for a development programme together with a policy of charging interest to profit and loss account might have some effect on full-year figures.

The dividend is raised from 1.785p to 1.967p net and a one-for-one scrip issue is proposed. After a lower tax charge of £275,020 (£359,769) stated earnings per 20p share are down from 5.569p to 4.09p.

A revaluation of properties at the year-end has thrown up a surplus of £7.22m which has been incorporated into the financial statements. But a valuation of dealing properties, which exceeded book value by £796,145, has not been incorporated.

Arrangements have been concluded to extend the leasehold of two properties. This has resulted in an additional value of £610,000.

Lincroft Kilgour slumps midway

REFLECTING the severe recession in the textile industry, pre-tax profits of the Lincroft Kilgour Group, cloth merchant and menswear manufacturer, plunged to £23,943 in the six months to March 31, 1980, compared with £261,259.

In the light of these results and trading generally since the end of the half-year, the board is omitting payment of an interim dividend.

The recession has deepened further since the end of March, not only at home but also in the important Far East markets, states Mr. Anthony Holland, the chairman. Unless there is an unexpected upturn in sales, payment of a dividend for the full year must depend on prospects for 1980-81 and the benefits flowing from the various economies now being made throughout the group.

Output capacity is being cut back to levels in accord with the present depressed state of trade, the chairman adds. This has already involved many redundancies and more are presently being discussed with the unions.

Stock commitments, particularly in the cloth merchandising division, are being reduced to match the expected volume of sales, although previous experience has shown it is prudent to maintain adequate stocks to meet any sudden increase in demand.

Turnover in the six months fell slightly from £7.1m to £6.8m, and the surplus is struck after charging consolidation exchange losses of £13,438 (£88,970).

After tax of £19,438 (£114,538) and minorities £4,194 (£8,391), earnings per 10p share are shown as 0.0p (2.93p). An extraordinary debit this time of £6,432 leaves the attributable loss at £8,121, against profits of £140,232.

Strong sterling hits Rothmans

DESPITE AN increased volume of business, the strength of sterling affected the results of Rothmans International in the year to March 31, 1980, and pre-tax profits were down from £98.2m to £80.5m.

Sales revenue amounted to £2.48m against £2.38m including VAT on tobacco duties, end-product tax and all other State taxes where applicable. Excluding these items net sales revenue was £981.8m compared with £943.2m.

Current cost accounts have been prepared and show pre-tax profits of £87.8m and attributable profits of £25.2m compared with the historical figure of £33m (19.5p).

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REPORTED profits before tax of Courts (Furnishers) were down from £5.81m to £5.36m in the year ended March 31, 1980 after a transfer to deferred profit caused by increased hire charges on furniture.

Turnover rose to £11m and will flow into profits in future years, the directors say. Stated earnings per share are 13.9p against 13.5p and a final dividend of 1.5p effectively lifts the total from 10.4p to 12.4p.

On the current year, the directors say that although overseas turnover and profits have generally proved satisfactory, UK trading conditions so far have not been good and a reduction in first half profits must be likely.

However, the group is expanding and since the start of the current year, a new store has been acquired in Guernsey and an additional unit opened in Singapore. One store has been opened in Australia and one closed and in the coming weeks, three stores are due to open in the UK with three due to be closed.

(£47.9m). Profits of overseas member companies and associates expressed in the relevant currencies were higher overall than the corresponding results of the previous year but showed a significant reduction on translation to sterling at the year-end rates of exchange, the directors say.

The net impact on the group's export earnings, a high proportion of which is derived in U.S. dollars or related currencies, was substantially greater and the reduction in group profits attributable to these two factors was in excess of £20m.

The strengthening of sterling over the year likewise had a significant impact on the sales revenue and profits of Alfred Dunhill, the major part of whose business in luxury consumer products is also conducted in foreign

currencies. This was compensated to some extent by higher earnings from the Canadian brewing interests.

Results include a full year's earnings from Rothmans of Pall Mall Canada and its subsidiaries. The comparative figures include the earnings of the Canadian interests for the period from June 20, 1979, the date of acquisition.

The total volume of cigarette sales by the group again exceeded the comparable level of the previous year. Continued progress was made by the international brands divisions in advancing sales in the UK and France.

Exports from the UK and other European sources were also increased but growth was impeded by generally unsettled trading conditions, notably in the Middle East. Associated com-

panies and licensed manufacturers also contributed to higher volume of sales worldwide, the Board adds.

An analysis of sales revenue and operating profits shows tobacco contributed £22.2m (£21.7m) and £84.1m (£87.6m) luxury consumer products, £58m (£55m) and £13.9m (£10.8m) brewing, £181m (£125m) £9.5m (£6.1m) and energy, £22m (£1.2m) and £1.2m (£1.2m).

Yearly sales revenue 2,478.2
Operating profit 102.1
Depreciation and amortisation 16.1
Associates profit 10.2
Conv. Bonds Interest 13.9
Profit before tax 80.5
UK tax 1.3
Overseas tax 28.8
Associated tax 47.2
Net profit 49.2
Minorities 14.2
Attributable 35.0

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Courts (Furnishers) pays more

Other overseas expansion is also planned for the current year, the Board adds.

Yearly sales revenue 2,478.2
Operating profit 102.1
Depreciation and amortisation 16.1
Associates profit 10.2
Conv. Bonds Interest 13.9
Profit before tax 80.5
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Net profit 49.2
Minorities 14.2
Attributable 35.0

THOUGH turnover increased from £8.8m to £10.0m, pre-tax profits of F. Wrighton and Sons (Associated Companies), the furniture maker, fell from £0.48m to £0.21m in the year to March 31, 1980. At halfway the company reported profits of £80,000 against £188,000 last year.

Turnover took £24,000 compared with £280,000, leaving an attributable balance of £182,000 (£211,000). Revenue reserves at March 31 stood at £2.2m against £2.07m.

The dividend for the year is held at 1.083p, and earnings per 10p share are given as 3.94p (4.59p).

Bromsgrove Castings ahead

Pre-tax profits of Bromsgrove Casting and Machines, manufacturer of aluminium and non-ferrous castings, increased to £296,138 to £256,088 in the year to March 31, 1980. Turnover was £3.73m against £3.33m.

There was a tax charge of £200,000 compared with £172,000, and stated earnings per 5p share

are 9.8p (7.9p). The final dividend is raised from 2.6p to 3p, for a total of 4p (3.5p).

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Wrighton slips to £0.21m

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Bristol Post up to £2.41m

PRE-TAX profits of the Bristol Evening Post, the newspaper group, advanced from £1.65m to £2.41m in the year to March 31, 1980. At the interim stage the company reported profits of £1.36m against £1.15m previously.

Turnover for the year rose from £21.23m to £28.02m, the tax charge was £1.2m (£0.88m).

Profit is stated after an extraordinary charge of £0.31m (£0.4m), principally the writing-off of goodwill on the purchase of businesses.

The final dividend is lifted from 7.75p to 8.5p, making a total of 9.75p (7.75p). Stated earnings per 25p share are 22.47p (18.82p).

Scot. Widows bonus rates

Higher rates of terminal bonus over the short and medium term have been declared by the Scottish Widows' Fund and Life Assurance Society. The bonuses are paid on death or maturity claims and the new rates will apply over the second half of this year.

The company operates a complex system depending on the year in which the policy was taken out or commenced to share in the profits.

The new bonus scale varies from 5 per cent of the sum

Birmingham Mint expands

Taxable profits of The Birmingham Mint, the gold and silver refiner, rose by £221,000 to £911,000.

At the half-way stage there was a surplus of £403,000 (£266,000) and with order books for minting holding up well, the Board forecasts a satisfactory result for the full year.

Turnover for the 12 months showed a slight increase to £10.82m (£10.55m). After tax £191,000 (£112,000) earnings per 25p share are given as 35.8p (28.7p).

There was an extraordinary debit of £75,000 (credit £172,000). A final dividend of 7p (6p) the balance up to 10p, compared to 7.5p.

The Board says it is unusually difficult at present to predict trading conditions, but so far as can be seen the current year should be reasonably satisfactory.

During 1979 the company, which mints coins and medals and produces nameplates, buttons and badges, embarked on a £1.5m programme of capital expenditure in the currency division.

The programme should be completed this year and will improve productivity and provide substantial additional capacity. Despite this, the company's balance sheet continues to show sufficient liquid funds to take advantage of further opportunities for expansion, the company says.

A profit-sharing scheme is being proposed which will enable employees to acquire shares in the company.

The subsidiary which manufactures nameplates and trim was severely affected by the reduced activity of the UK domestic appliance industry and has been closed since the year-end. The costs of the closure were provided as the extraordinary item in the accounts.

Yearling rate falls further

The interest rate on this week's issue of yearling bonds is 13 1/2 per cent down one point from last week's rate of 14 1/2 per cent for 1980. Issued at par, they are redeemable on July 15, 1981.

The issues are Preston BC (£0.5m); Stevenage DC (£1.5m); City of Stoke-on-Trent (£1.5m); Merseyside CC (£0.5m); West Derbyshire DC (£0.5m); City of Bristol (£1.5m); Stroud BC (£1m); Shepway DC (£0.5m); Wakefield Metropolitan DC (£0.5m); Kennet DC (£0.25m); Warrington BC (£1m); Greater London Council (£2.5m); Wakefield Metropolitan DC (£1m); Halesowen BC (£0.5m) by way of 13 1/2 per cent two-year bonds, redeemable at par on July 7, 1982.

Whitecroft

	1980 £000	1979 £000
Turnover	101,480	75,565
Profit before interest & taxation	6,839	6,118
Profit before taxation	4,570	5,025
Earnings per share	12.68p	20.07p
Dividends per share	7.70p	7.70p
Net tangible assets	126,61p	116,13p

Major strategic advances have been made, in spite of unfavourable competitive conditions at home and abroad.

Our objective of creating a national business in building and engineering supplies is being achieved by the integration of the Randalls Group building supplies companies acquired in December 1978.

The overall group performance in the year under review may be considered a reasonable achievement in the light of economic conditions. We are implementing plans to contain those operations which have an adverse effect on group results.

Looking ahead, we continue to invest in the profitable and growing areas especially where we are market leaders.

Extracts from the report by the chairman — Mr. John Tavaré:

Whitecroft Limited

Textiles, engineering, building and engineering supplies

A copy of the report and accounts may be obtained from:

The Secretary
Whitecroft Limited, Blackfriars House, Parsonage
Manchester M3 2HX

LONDON & OVERSEAS FREIGHTERS LIMITED

YEAR TO 31 MARCH 1980

The 32nd Annual General Meeting of London & Overseas Freighters Limited was held yesterday under the chairmanship of Mr. Manuel Kulukundis.

Salient points referred to in the Directors' Report and Chairman's Statement accompanying the Accounts sent to shareholders were—

- ★ Trading profit on shipowning for the first time in five years.
- ★ Profit for year £3.8m compared with previous year's loss of £1.9m.
- ★ Restructuring of loans to give increased flexibility.
- ★ Effective increase of 80% in dividend.
- ★ Two 55,200 dwt general purpose tankers ordered for delivery in 1982.

8 BALFOUR PLACE, PARK LANE, LONDON W1Y 6AJ

Copies of the Annual Report for the year to 31 March 1980 and the full text of the statement by the Chairman, Mr. Manuel Kulukundis, may be obtained from the Secretary.

Union Oil leads six British companies seeking N. Sea licence

A GROUP of six British institutions has joined a consortium led by Union Oil to apply for a licence in the forthcoming seventh round of North Sea oil licensing.

The institutions have formed a company called Pentland Oil Exploration, which will participate in the group with Union and five other organisations.

Pentland's shareholders are 35 per cent of Scotland and its subsidiary, British Linen Bank—Barnard Enterprises, a subsidiary of Prudential Assurance—CIN Industrial Investments, a subsidiary of the NCB Pension Funds—Scottish Provident Institution—and a subsidiary of Trusthouse Forte.

Each shareholder has taken a 20 per cent stake except Bank of Scotland and British Linen, which hold 10 per cent each.

British Linen was responsible for the formation of the group and has been appointed Managers and Secretaries.

Pentland is expected to have a stake of slightly under 20 per cent in the Union group, but the other members of the consortium are not yet known. Pentland's authorised share capital is £3m, of which £20,000 has been issued as fully paid ordinary shares of £1 each.

The Union group is examining applications for blocks over a wide area between the northern reaches of the North Sea and the Channel. It is not, however, considering applications west of the Shetland Isles.

Each shareholder has taken a 20 per cent stake except Bank of Scotland and British Linen, which hold 10 per cent each.

R. W. Toothill £7,000 loss

An after-tax loss of £8,998 is reported by R. W. Toothill, furniture manufacturer, for the year to March 31, 1980, compared with a profit of £39,684 last year.

Turnover was down slightly from £3m to £2.98m. At halfway the company reported net profits of £2,659.

Depreciation accounted for £73,575 (£92,712) and the loss is also struck after an exceptional release of £50,715 (nil) and a tax credit of £59,181 (£32,438 charge).

There is no dividend for the year, compared with a total last time of 2.855p, and the stated

JAMES FINLAY

Bricolage Investments has disposed of 1.16m ordinary of James Finlay and Co., reducing its holding to 1.9m (4.97 per cent).

The first quarter has shown net losses of a manageable size and the board feels it would be foolish to express optimism about the immediate future.

Despite the continuing recessionary climate the board is confident that the strong balance sheet gives the company sufficient resources to weather the storm. The longer-term objective of an increased market share is still being pursued.

The first quarter has shown net losses of a manageable size and the board feels it would be foolish to express optimism about the immediate future.

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	July	Last	Oct.	Last	Vol.	Last	Stock
AKZ C F.29.50	26	0.90	—	1	2.80	1	2.80	£29.50
AKZ C F.25	—	—	—	20	0.90	5	1.40	—
AKZ C F.27.50	—	—	—	18	0.40	—	—	—
AKZ C F.23.50	—	—	—	10	0.50	—	—	—
AKZ P F.25	—	—	—	7	—	—	—	—
HEI C F.25	—	—	—	10	—	—	—	—
HEI C F.23	11	0.50	—	24	3 1/2	11	5.60	£29.50
HEI C F.21	—	—	—	20	1	—	—	—
HEI P F.25	—	—	—	—	—	5	2.70	—
HEI P F.23	—	—	—	—	—	5	1.6	—
HEI P F.21	—	—	—	—	—	—	—	—
HEI C F.19	—	—	—	—	—	—	—	—
HEI C F.17	—	—	—	—	—	10	2.80	£17.00
HEI C F.15	—	—	—	—	—	—	—	—
HEI C F.13	—	—	—	—	—	—	—	—
HEI C F.11	—	—	—	—	—	—	—	—
HEI C F.9	—	—	—	—	—	—	—	—
HEI C F.7	—	—	—	—	—	—	—	—
HEI C F.5	—	—	—	—	—	—	—	—
HEI C F.3	—	—	—	—	—	—	—	—
HEI C F.1	—	—	—	—	—	—	—	—
HEI C F.0	—	—	—	—	—	—	—	—
HEI C F.-1	—	—	—	—	—	—	—	—
HEI C F.-3	—	—	—	—	—	—	—	—
HEI C F.-5	—	—	—	—	—	—	—	—
HEI C F.-7	—	—	—	—	—	—	—	—
HEI C F.-9	—	—	—	—	—	—	—	—
HEI C F.-11	—	—	—	—	—	—	—	—
HEI C F.-13	—	—	—	—	—	—	—	—
HEI C F.-15	—	—	—	—	—	—	—	—
HEI C F.-17	—	—	—	—	—	—	—	—
HEI C F.-19	—	—	—	—	—	—	—	—
KLM C F.60	4	17	6.10	—	—	—	—	£60
KLM C F.50	—	—	10	2.80	—	—	—	—
KLM C F.40	—	—	4	6.90	—	—	—	—
KLM C F.30	13	40	17	2.50	—	—	—	—
KLM C F.20	22	10	6.20	10	10	—	—	—
KLM C F.10	—	—	16	5	18	—	—	—
NAT C F.104.50	—	—	8	9.50	—	—	—	£104.50
NAT C F.102.10	11	2.80	—	—	—	—	—	—
PHI C F.120	—	—	—	—	—	—	—	—
PET C F.88.00	10	5	—	—	—	—	—	£88.00
PHI C F.117.50	—	—	—	—	—	—	—	—
PET C F.117.50	—	—	—	—	—	—	—	—
PRD C F.281	—	—	—	—	—	—	—	—
PSA C F.281	—	—	—	—	—	—	—	—
RD C F.150	26	18	5	—	—	—	—	—
RD C F.160	229	8.10	70	10.10	—	—	—	£160
RD C F.170	87	0.80	142	15	4	21	6.90	—
RD C F.180	—	—	15	0.80	—	—	—	—
RD C F.190	—	—	18	0.70	—	—	—	—
RD C F.200	23	0.10	55	1.80	32	2.20	—	—
RD C F.210	24	2.70	14	8.80	14	5.50	—	—
RD C F.220	—	—	10	4	—	—	—	—
RD C F.230	—	—	3	17.60	—	—	—	—
RD C F.240	—	—	—	—	—	—	—	—
RD C F.250	167	3.90	1	—	—	—	—	—
RD C F.260	—	0.30	—	—	—	—	—	—
RD C F.270	—	—	—	—	—	—	—	—
RD C F.280	—	—	—	—	—	—	—	—
RD C F.290	—	—	—	—	—	—	—	—
RD C F.300	—	—	—	—	—	—	—	—
RD C F.310	—	—	—	—	—	—	—	—
RD C F.320	—	—	—	—	—	—	—	—
RD C F.330	—	—	—	—	—	—	—	—
RD C F.340	—	—	—	—	—	—	—	—
RD C F.350	—	—	—	—	—	—	—	—
RD C F.360	—	—	—	—	—	—	—	—
RD C F.370	—	—	—	—	—	—	—	—
RD C F.380	—	—	—	—	—	—	—	—
RD C F.390	—	—	—	—	—	—	—	—
RD C F.400	—	—	—	—	—	—	—	—
RD C F.410	—	—	—	—	—	—	—	—
RD C F.420	—	—	—	—	—	—	—	—
RD C F.430	—	—	—	—	—	—	—	—
RD C F.440	—	—	—	—	—	—	—	—
RD C F.450	—	—	—	—	—	—	—	—
RD C F.460	—	—	—	—	—	—	—	—
RD C F.470	—	—	—	—	—	—	—	—
RD C F.480	—	—	—	—	—	—	—	—
RD C F.490	—	—	—	—	—	—	—	—
RD C F.500	—	—	—	—	—	—	—	—
RD C F.510	—	—	—	—	—	—	—	—
RD C F.520	—	—	—	—	—	—	—	—
RD C F.530	—	—	—	—	—	—	—	—
RD C F.540	—	—	—	—	—	—	—	—
RD C F.550	—	—	—	—	—	—	—	—
RD C F.560	—	—	—	—	—	—	—	—
RD C F.570	—	—	—	—	—	—	—	—
RD C F.580	—	—	—	—	—	—	—	—
RD C F.590	—	—	—	—	—	—	—	—
RD C F.600	—	—	—	—	—	—	—	—
RD C F.610	—	—	—	—	—	—	—	—
RD C F.620	—	—	—	—	—	—	—	—
RD C F.630	—	—	—	—	—	—	—	—
RD C F.640	—	—	—	—	—	—	—	—
RD C F.650	—	—	—	—	—	—	—	—
RD C F.660	—	—	—	—	—	—	—	—
RD C F.670	—	—	—	—	—	—	—	—
RD C F.680	—	—	—	—	—	—	—	—
RD C F.690	—	—	—	—	—	—	—	—
RD C F.700	—	—	—	—	—	—	—	—
RD C F.710	—	—	—	—	—	—	—	—
RD C F.720	—	—	—	—	—	—	—	—
RD C F.730	—	—	—	—	—	—	—	—
RD C F.740	—	—	—	—	—	—	—	—
RD C F.750	—	—	—	—	—	—	—	—
RD C F.760	—	—	—	—	—	—	—	—
RD C F.770	—	—	—	—	—	—	—	—
RD C F.780	—	—	—	—	—	—	—	—
RD C F.790	—	—	—	—	—	—	—	—
RD C F.800	—	—	—	—	—	—	—	—
RD C F.810	—	—	—	—	—	—	—	—
RD C F.820	—	—	—	—	—	—	—	—
RD C F.830	—	—	—	—	—	—	—	—
RD C F.840	—	—	—	—	—	—	—	—
RD C F.850	—	—	—	—	—	—	—	—
RD C F.860	—	—	—	—	—	—	—	—
RD C F.870	—	—	—	—	—	—	—	—
RD C F.880	—	—	—	—	—	—	—	—
RD C F.890	—	—	—	—	—	—	—	—
RD C F.900	—	—	—	—	—	—	—	—
RD C F.910	—	—	—	—	—	—	—	—
RD C F.920	—	—	—	—	—	—	—	—
RD C F.930	—	—	—	—	—	—	—	—
RD C F.940	—	—	—	—	—	—	—	—
RD C F.950	—	—	—	—	—	—	—	—
RD C F.960	—	—	—	—	—	—	—	—
RD C F.970	—	—	—	—	—	—	—	—
RD C F.980	—	—	—	—	—	—	—	—
RD C F.990	—	—	—	—	—	—	—	—
RD C F.1000	—	—	—	—	—	—	—	—
RD C F.1010	—	—	—	—	—	—	—	—
RD C F.1020	—	—	—	—	—	—	—	—
RD C F.1030	—	—	—	—	—	—	—	—
RD C F.1040	—	—	—	—	—	—	—	—
RD C F.1050	—	—	—	—	—	—	—	—
RD C F.1060	—	—	—	—	—	—	—	—
RD C F.1070	—	—	—	—	—	—	—	—
RD C F.1080	—	—	—	—	—	—	—	—
RD C F.1090	—	—	—	—	—	—	—	—
RD C F.1100	—	—	—	—	—	—	—	—
RD C F.1110	—	—	—	—	—	—	—	—
RD C F.1120	—	—	—	—	—	—	—	—
RD C F.1130	—	—	—	—	—	—	—	—
RD C F.1140	—	—	—	—	—	—	—	—
RD C F.1150	—	—	—	—	—	—	—	—
RD C F.1160	—	—	—	—	—	—	—	—
RD C F.1170	—	—	—	—	—	—	—	—
RD C F.1180	—	—	—	—	—	—	—	—
RD C F.1190	—	—	—	—	—	—	—	—
RD C F.1200	—	—	—	—	—	—	—	—
RD C F.1210	—	—	—	—	—	—	—	—
RD C F.1220	—	—	—	—	—	—	—	—
RD C F.1230	—	—	—	—	—	—	—	—
RD C F.1240	—	—	—	—	—	—	—	—
RD C F.1250	—	—	—	—	—	—	—	—
RD C F.1260	—	—	—	—	—	—	—	—
RD C F.1270	—	—	—	—	—	—	—	—
RD C F.1280	—	—	—	—	—	—	—	—
RD C F.1290	—	—	—	—	—	—	—	—
RD C F.1300	—	—	—	—	—	—	—	—
RD C F.1310	—	—	—	—	—	—	—	—
RD C F.1320	—	—	—	—	—	—	—	—
RD C F.1330	—	—	—	—	—	—	—	—
RD C F.1340	—	—	—	—	—	—	—	—
RD C F.1350	—	—	—	—	—	—	—	—
RD C F.1360	—	—	—	—	—	—	—	—
RD C F.1370	—	—	—	—	—	—	—	—
RD C F.1380	—	—	—	—	—	—	—	—
RD C F.1390	—	—	—	—	—	—	—	—
RD C F.1400	—	—	—	—	—	—	—	—
RD C F.1410	—	—	—	—	—	—	—	—
RD C F.1420	—	—	—	—	—	—	—	—
RD C F.1430	—	—	—	—	—	—	—	—
RD C F.1440	—	—	—	—	—	—	—	—
RD C F.1450	—	—	—	—	—	—	—	—
RD C F.1460	—	—	—	—	—	—	—	—
RD C F.1470	—	—	—	—	—	—	—	—
RD C F.1480	—	—	—	—	—	—	—	—
RD C F.1490	—	—	—	—	—	—	—	—
RD C F.1500	—	—	—	—	—	—	—	—
RD C F.1510	—	—	—	—	—	—	—	—
RD C F.1520	—	—	—	—	—	—	—	—
RD C F.1530	—	—	—	—	—	—	—	—
RD C F.1540	—	—	—	—	—	—	—	—
RD C F.1550	—	—	—	—	—	—	—	—
RD C F.1560	—	—	—	—	—	—	—	—
RD C F.1570	—	—	—	—	—			

CURRENCIES, MONEY and GOLD

Dollar steady

The dollar finished near its best level of the day in currency markets yesterday, but only after receiving widespread support from major central banks. The dollar's underperformance, with expectations of lower interest rates prompting further switching out of the U.S. unit, a continued fall in U.S. money supply figures gave rise to speculation that the Federal Reserve target rate may be reduced after today's meeting of the Federal open market committee. But more widespread selling may have been deterred by determined central bank support. Against the D-mark the dollar closed at DM 1.7850, against the Swiss franc at Sfr 1.5875, and against the Japanese yen at ¥219.05.

On Bank of England figures, the trade weighted index remained at 82.8.

Sterling was unchanged on a trade weighted basis at 74.4, but was firmer earlier in the day. This was reflected in earlier calculations of its movement against a basket of currencies, with a morning gain of 0.45, and 74.5 at noon. Against the dollar it opened at \$2.3810, \$2.3820, and dipped to \$2.3790 before coming back to \$2.3825 after mid-day. It lost a cent soon after, but recovered to \$2.3825, and then to \$2.3875. Towards the close, trading the dollar received further support and the pound came back to finish at \$2.3800, a fall of 80 points. The late set of U.K. banking figures appeared to have little effect on trading.

D-MARK - Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of Euro-currency rate differentials - The Bundesbank bought a nominal \$7.45m at yesterday's fixing in Frankfurt, when the dollar was fixed at DM 1.7827, its lowest fixing level since 1972, and compared with Monday's figure of DM 1.7445. There may also have been support for the U.S. unit when it touched a low of DM 1.7305. Trading was nervous ahead of today's meeting of the U.S. Federal open market committee, after which a further easing in U.S. interest rates is generally anticipated.

Confirmation of preliminary indications on the West German cost of living index appeared to have little effect on the market. The figures showed a year on year inflation rate of 5.0 per cent compared with 6.0 per cent in May and 5.8 per cent in April.

ITALIAN LIRA - Still the weakest currency within the EMS, but showing a steadier tendency following last week's economic support package. The lira showed mixed changes at yesterday's fixing in Milan, with the dollar easing to L828.30 from L834.00, and sterling rising to L1,971.75 from L1,968.10. The D-mark slipped to L477.88 from L478.05, and the French franc was lower at L205.90 against L206.03, but the Swiss franc rose from L521.24 to L522.10.

DANISH KRONE - Showing a steadier tendency within the EMS recently, having suffered two devaluations in 1979 - The Danish krone was slightly weaker overall in Copenhagen yesterday. The Deutsche Mark was fixed higher at Dkr 3.1015 against Dkr 3.1005, while the French franc rose to Dkr 1.3360 from Dkr 1.3345. Sterling was firm at Dkr 12.7870 against Dkr 12.7820, but the dollar slipped to Dkr 5.3760 from Dkr 5.4060 on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	ECU	% change	% change	% change	% change
		from	from	from	from
		central	central	central	central
		rate	rate	rate	rate
		July 8	July 8	July 8	July 8
Belgian Franc	36.7897	40.2855	+1.27	+0.63	+1.83
Dutch Guilder	36.7897	40.2855	+1.27	+0.63	+1.83
French Franc	6.5470	5.8383	+0.19	-0.33	+1.25
German D-Mark	2.4820	2.5138	+1.27	+0.63	+1.83
Italian Lira	1157.79	1159.80	+3.61	+3.01	+4.08
Spanish Ptas	166.6360	166.6360	0.00	0.00	0.00
Swiss Franc	2.0361	2.0361	0.00	0.00	0.00
UK Sterling	7.46	7.46	0.00	0.00	0.00

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 8	July 7	July 6	July 5	July 4	July 3	July 2	July 1	June 30	June 29	June 28	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 27	February 26	February 25	February 24	February 23	February 22	February 21	February 20	February 19	February 18	February 17	February 16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1	December 31	December 30	December 29	December 28	December 27	December 26	December 25	December 24	December 23	December 22	December 21	December 20	December 19	December 18	December 17	December 16	December 15	December 14	December 13	December 12	December 11	December 10	December 9	December 8	December 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Northern Telecom expects downturn

MONTREAL — Northern Telecom, the telecommunications equipment manufacturer, disclosed that operating factors, and a change in financing practices at Northern Telecom Systems, with the added effect of the world recession, will cause the corporation's operating earnings for the second quarter 1980 and for the full year to be substantially below 1979 levels.

"Our efforts to integrate and restructure the operations and product lines of the companies acquired in 1978—Data 100 and Sycon—as Northern Telecom systems have been far more costly and are taking far longer than we had anticipated," said Mr. Walter F. Light, president and chief executive. "This will continue to be true for at least the remainder of 1980."

The decline will be due in part to the approval by the company's board of a change in the practice of Northern Telecom Systems under which each quarter Northern Telecom Systems has been selling a significant number of its operating leases on data systems to third parties. Only limited third party lease sales will be made in the future, as dictated by business conditions. No third party lease sales were made in the second quarter.

AP-DJ

Jardine undermines Land story

By Rodney Hobson in Hong Kong

JARDINE MATHESON yesterday poured cold water on reports that it and Hongkong Land, in which it has a 20 per cent stake, were arranging a share exchange.

Jardine shares—which have soared on the London and Hong Kong stock markets since Friday—had risen from HK\$18.10 to HK\$22.70 before falling back to HK\$20.70 at yesterday's close.

Hongkong Land, which had put on 40 cents to HK\$14.20, fell back to HK\$13.90.

However, Mr. David Newbould, chairman of both companies, said: "The fact that we have made no announcement indicates that we have no announcement to make." He was surprised when Jardine shares soared. "I am delighted that people think our shares were undervalued," he said. His policy was to make announcements affecting the companies "sooner rather than later."

Mr. Usdin McInnes, the Commissioner for Securities, has contacted Mr. Newbould, but his office refuses to comment and does not expect to issue a statement.

Stories of a possible defensive Jardine-Hongkong Land move have circulated since Hongkong Land failed last month in its attempt to gain effective control of Hongkong and Kowloon Wharf, when Sir Yue-Kong Pao's interests raised their stake in Wharf from 30 per cent to 49 per cent, at a cost of over HK\$2bn (US\$400m).

The surge in Jardine and Land helped the Hang Seng index to a seven-year high, at 1,085.79, in hectic trading on Monday. Yesterday the index slipped to 1,071.89.

Jardine has 230m issued shares, giving it a market capitalisation of more than HK\$5bn (US\$1bn). Hongkong Land has 715m issued shares, giving it a market capitalisation of HK\$9.9bn.

About 1m Jardine shares changed hands in London on Friday and another 2.5m were traded in Hongkong on Monday.

BORROWER PROFILE

Burdened by a deteriorating balance of trade

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

REPORTS FROM Belgrade that Yugoslavia has approached central bankers for assistance in raising around \$2bn this year to back up its economic stabilisation programme come as no surprise to commercial bankers. They have long been aware that Yugoslavia has a borrowing requirement of this size. The immediate "J-curve" effect of last month's "dinar" devaluation is furthermore expected to increase the pressure on the balance of payments and increase Yugoslavia's already sizeable borrowing needs in the short run.

The National Bank of Yugoslavia in Belgrade yesterday denied that Yugoslavia has made any formal approach to either central or commercial bankers. Leading U.S. and European banks in London however believe that the National Bank is considering a large Euro-currency loan of up to \$500m in which leading U.S., European, Japanese and Arab banks would be invited to participate.

The main function of such a loan, they believe, would be to boost Yugoslavia's reserves which have been run down considerably over the last 18 months as a consequence of the deteriorating trade and balance of payments position. Last year Yugoslavia registered a record

\$7.3bn trade deficit and a revised balance of payments deficit of \$3.7bn.

According to the latest OECD report Yugoslavia's foreign currency reserves at the end of 1979 stood at \$1.3bn and total reserves at just over \$2bn. But this underestimates the gold component of the reserves which is officially valued at \$42

The problem of a worsening trading balance has been compounded for Yugoslavia by the recent massive devaluation of the dinar

per ounce. At current market prices the gold component in reserves is estimated to be worth around \$2bn, or roughly two months' imports. The reserves have also benefited from some recent borrowing, including the \$440m IMF loan which was announced shortly after the June 5 decision to devalue the dinar by 30 per cent.

Borrowing arrangements are believed to be in a fairly early preparatory stage and no final decisions have been taken as

to the final shape of the programme. But western bankers believe that a major borrowing by the National Bank would be received more favourably than further conventional borrowing by the Yugoslav commercial banks.

Yugoslavia's total net indebtedness to Western banks, including Japanese and Arab banks, is now estimated to be around \$14bn. This has already brought many U.S. and European banks to their country lending limits.

This is reflected in a lack of enthusiasm for further lending and pressure for higher fees and conditions. The latest commercial bank lending was a \$107m "club deal" extended to three Yugoslav banks and put together by Citicorp and eight U.S. and European banks. This was for seven years at 14 per cent over Libor with a substantial management fee.

The size of the Yugoslav debt is not however the only problem. In retrospect many bankers feel that Yugoslav borrowers have made a major error of judgment earlier this year by concentrating on re-scheduling their existing and admittedly rather expensive debt, rather than concentrate on creating good conditions for future fresh borrowing.

YUGOSLAVIA

IMM Currency Futures

Foreign exchange futures markets on the International Monetary Market open 45 minutes earlier, effective Tuesday, July 15th.

Trading begins at 7:30 AM (Chicago time) in the following rotation: Swiss Francs, Mexican Pesos, Deutsche Marks, Canadian Dollars, British Pounds, Japanese Yen, French Francs, Dutch Guilders.

For further information, please contact the International Monetary Market: 444 West Jackson Boulevard, Chicago, Illinois 60606 (312-930-3048); 67 Wall Street, New York, New York 10005 (212-363-7000); 27 Throgmorton Street, London EC2, England (01-920-0722).



INTERNATIONAL MONETARY MARKET®
Division of Chicago Mercantile Exchange®

L'Oreal forecasts five years of growth

BY TERRY DODSWORTH IN PARIS

L'OREAL, the French cosmetics and pharmaceuticals group, is aiming to increase both sales and profits at an annual rate of 15 per cent for the next five years.

According to a statement to shareholders at the annual meeting, the group is confident of being able to achieve these targets because of the steady expansion of its main markets in hygiene, beauty and health products.

It also intends to push ahead with its ambitious programme of expansion overseas, where it achieved 54 per cent of turnover last year.

Group sales in 1979 went up by about 18 per cent from FF

5.6bn to FF 6.6bn (\$1.53bn), with cash flow increasing from FF 389m to FF 548m. Consolidated net profits, however, rose much faster, going up by 58 per cent from FF 210m to FF 332m.

L'Oreal says that its growth strategy over the next five-year period is based on developing all of its current businesses, which range from hair and beauty products, to hygiene and pharmaceutical items.

It became clear last year, however, that the company was preparing a big push in the pharmaceuticals industry, one of the sectors which the French Government is anxious to expand. The company took

a majority stake in Metabio-Jouille Laboratories which it is aiming to merge with its own Synthelabo division.

Later, it negotiated a deal to take over SHDV, a specialist company in the dermatology field with an annual turnover of FF 415m.

Last year, the pharmaceutical division achieved about 12 per cent of group sales, coming well ahead of the hygiene business (about 7 per cent), but well behind the beauty (19 per cent) and hair products (more than 60 per cent).

L'Oreal, whose product range includes marques such as Ambre Solaire, Lancome and Guy Laroche, is a company in

which the French Government has taken close interest in recent years. The Swiss multinational, Nestlé, has a 49 per cent stake in the holding group which owns a majority of the L'Oreal shares, but both Nestlé and representatives of the 51 per cent French interests in the holding operation have agreed with the Government not to change their shares for 20 years.

Frances Deney Corp. has been acquired by Delalande a Paris-based pharmaceutical, cosmetic and chemical group. Deney, a private company which is one of the oldest cosmetic companies in the U.S., has been acquired by Delalande Inc.

SAS may be forced into the red

BY WILLIAM DUFFLOR, NORDIC EDITOR, IN STOCKHOLM

SCANDINAVIAN Airline System (SAS) runs the risk of falling into the red for the first time in 18 years, according to Mr. Carl-Olov Munkberg, the managing director.

Traditionally SAS operates at a loss during its off-season first half but makes good the deficit over the remainder of the financial year. However, the SKr 183.5m loss recorded by Aerotransport, the Swedish parent company, for the six months ended March is far ahead of the SKr 59.4m loss made in the first half of 1978-79. For the whole of the last year the group turned in a final profit before allocations of SKr 148m.

Mr. Munkberg points out that SAS posted a SKr 145m loss on its airline operations in the latest half-year compared with a loss of SKr 48.9m, despite equipment sales of SKr 32.6m, up from SKr 26.1m.

The Aerotransport report attributes the slump in earnings partly to a weak development in passenger traffic and to the inadequacy of fuel surcharges in compensating for the increases in fuel costs. But the strikes of April and May this year, which shut down the airline in Sweden, also dealt SAS a severe blow.

The management estimates that the group as a whole lost SKr 81m in earnings from its

Swedish industrial problems, of which SKr 76m was lost on the airline operations. A further SKr 6m loss is attributed to the four-day strike by Norwegian air traffic controllers.

Group operating revenue during the first half grew by 18 per cent to SKr 425bn (\$1,02bn). Airline traffic revenue was up by 17 per cent to SKr 2.83bn, but almost all the increase was attributable to the fuel surcharges.

The increase in revenue ton-kilometres during the period was only 1 per cent compared with the 7 per cent growth recorded in the first six months of last year.

Sharp advance in earnings at Kloeckner

By Our Financial Staff

REPORTING sharply higher profits for 1979, Kloeckner and Co., the trading arm of the Kloeckner-Werke steel group, says earnings for the first half of 1980 have remained satisfactory.

Net profits for last year were 49 per cent higher at DM 48.6m after an increase in sales of 22 per cent to DM 9.5bn. World sales were 21 per cent higher at DM 10.3bn. No consolidated profit figures are available.

Sales growth for the opening six months of 1980 has remained well into double figures, Herr Joerg Henle, the chief executive, told a Press conference. Having increased profits last year by almost half, Herr Henle stressed that Kloeckner intended to improve its performance again in the current year.

Capital investment this year will total DM 142m, after DM 108m in 1979 and the DM 52m spent in 1978, owing to the company's participation in the capital restructuring of Kloeckner-Werke AG in which it has a stake of more than 25 per cent.

Orders on book in mid-1980 totalled DM 2.7bn, down on the DM 3.1bn level of mid-1979.

Ansett sells Avis Rent-a-Car subsidiary

BY JAMES FORTH IN SYDNEY

ANSETT TRANSPORT Industries, the Australian airline, transport and television group, is selling the local Avis Rent-a-Car group for A\$10m (US\$11.5m).

Ansett acquired Avis in 1978 which at that stage held an exclusive franchise to service the major airports. Soon after Avis lost the franchise.

The rental group will be

bought by a joint venture company jointly owned by Norton Simon of the U.S. through Avis International and the diversified industrial group, Burns Philp and Co. Ansett, which last year came under the joint control of Thomas Nationwide Transport and News Corporation, will make a capital profit on the sale of about A\$8m (US\$9.2m).

The local Avis company previously had no connection with

the U.S. group of the same name. But Burns Philp had an Avis franchise from the U.S. group in some Pacific islands.

A spokesman for the new owners indicated that the first aim was to bring Avis Rent-a-Car back to profits. The company is believed to have recorded a loss of more than A\$1.5m (US\$1.7m) in the latest year. A number of marketing changes were envisaged.

Arab oil exporters' investment income to leap

BY JAMES BUXTON

FIVE ARAB members of the Organisation of Petroleum Exporting Countries are expected to earn more than \$27bn this year from their financial investments alone. By the end of this year their net foreign assets will amount to \$275bn and will have reached \$355bn by the end of 1981. Investment income, however, is expected to fall in 1981 to \$25.5bn after having risen from \$15.5bn in 1979.

These are the conclusions of a study of the OPEC surplus by First National Bank of Chicago. The bank estimates that Saudi Arabia will have an investment income of \$11.6bn this year and will have accumulated \$119bn in net foreign assets by the end of the year. The next highest surplus state, Kuwait, is estimated to earn \$6.5bn on \$65bn of assets this year.

First Chicago puts the aggregate current account surplus of all 13 OPEC states at \$115bn this year and says the total may be \$100bn next year, despite

OPEC CURRENT ACCOUNT SURPLUSES (\$bn)			
	1979*	1980*	1981*
Saudi Arabia	\$15.5	\$41.0	\$32.0
Kuwait	13.9	19.3	20.4
Iraq	11.4	14.8	11.7
U.A.E.	4.9	8.4	8.0
Iran	4.5	3.4	11.0
Libya	4.2	14.2	9.2
Nigeria	1.7	2.5	3.8
Qatar	1.5	2.3	2.0
Algeria	0.9	0.8	1.7
Indonesia	0.4	0.4	0.3
Chad	-0.6	-0.5	-0.5
Venezuela	-1.9	0.0	-0.4
Total	\$35.1	\$115.4	\$101.1

greatly increased spending. It assumes that the oil price will keep pace with inflation and that there will be a narrowing of differentials between the price of Saudi oil and that of other crudes.

With demand for oil softening in the next 18 months production is likely to be static at around 27m to 28m barrels a

INVESTMENT INCOME (\$bn)			
	1979*	1980*	1981*
Saudi Arabia	\$6.9	\$11.6	\$10.7
Kuwait	4.0	6.4	6.3
Iraq	2.0	4.0	3.7
U.A.E.	1.4	2.5	2.4
Libya	1.0	2.3	2.4
Total	15.5	27.1	25.5

day, though price rises will take OPEC export revenues up from \$306bn this year to \$340bn next year. OPEC states' imports will rise from \$129bn this year to \$160bn in 1981.

By the end of 1981 OPEC's net external assets are expected to have increased from the Bank of England's estimate of \$236bn for 1979 to \$445bn, the study

NET FOREIGN ASSETS* (\$1bn)			
	1979†	1980†	1981†
Saudi Arabia	\$77	\$118	\$150
Kuwait	45	64	84
Iraq	26	41	52
U.A.E.	18	26	34
Libya	12	26	35
Total	178	275	355

* At year end † Estimate

But the surplus as usual will be concentrated heavily in five states with Saudi Arabia, Kuwait, Iraq, United Arab Emirates and Libya, together accounting for about three-quarters of it.

The surplus funds accumulated during 1980 and 1981 are likely to be invested heavily in dollar assets and, initially,

short-term bank deposits. But there are signs that oil producing countries prefer to hold a greater portion of their assets outside the U.S. in non-dollar investments.

A Bank of England breakdown of the deployment of the \$236bn of OPEC's net external assets in 1979 showed \$115bn in bank deposits, \$58bn in portfolio and direct investments, \$17bn in British and U.S. Government securities, \$8bn on loan to the International Monetary Fund and World Bank and \$38bn lent to developing countries. Some 68 per cent of the bank deposits were dollar nominated.

Saudi Arabia, the biggest surplus state, is expected to increase its imports by 33 per cent in 1980 and 25 per cent in 1981, as a result of increased spending. First Chicago believes that its export revenue will rise only marginally, from the 1980 figure of \$94bn, to \$96bn in 1981.

The study is to be published in the May-June issue of First Chicago World Report.

società finanziaria meccanica finmeccanica s.p.a.



US \$50,000,000
Medium Term Loan

Lead Managed by

Samuel Montagu & Co. Limited

Morgan Grenfell & Co. Limited

Managed by

Banco di Roma

Bank of Scotland

Bank of Tokyo International Limited

Gulf International Bank B.S.C.

Norddeutsche Landesbank International S.A.

The Taiyo Kobe Bank Limited

Funds Provided by

Norddeutsche Landesbank Girozentrale

In association with

Samuel Montagu & Co. Limited

Banco di Roma (London Branch)

Bank of Tokyo International Limited

Morgan Grenfell & Co. Limited

Clydesdale Bank Limited

Midland Bank Trust Corporation (Jersey) Limited

The Taiyo Kobe Bank Limited

Bank of Scotland

Gulf International Bank B.S.C.

Norddeutsche Landesbank International S.A.

The Commercial Bank of Australia Limited

The National Bank of Australasia Limited

Agent Bank

Morgan Grenfell & Co. Limited

June 1980



BfG Finance Company B.V.

U.S. \$100,000,000 Floating Rate Notes 1989
Extendible at the Notaholder's Option to 1994

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 10th July, 1980 to 12th January, 1981 the Notes will carry an interest rate of 8 3/4% per annum. On 10th July, 1980 interest of U.S. \$49.73 will be due per U.S. \$1,000 Note for Coupon No. 4.

Agent Bank:
European Banking Company Limited

9th July, 1980

Early profit-taking on Wall St.

Stock July 7

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Bankamerica eased 1/2 to \$27.
AMERICAN SE Market
 the Index shed 1.25 to 308.64
 p.m. Volume 4.64m shares
 (2m).

Canada

Fixed movements were re-
 ceived on Canadian markets
 following active early dealings.
 Toronto Gold shares index
 edged 11.1 at 4,634.1 and Metals
 Minerals 15.1 at 2,017.0, but
 and Gas retreated 42.7 to
 10.0. In Montreal, Banks im-
 proved 1.23 to 362.69, and
 Utilities 1.13 to 258.42.

the market, after Monday's retreat, took a turn for the better on selective "cheap" buying with the recently depressed sector picking up strongly. Nikkei-Dow Jones rose, down \$8.48 the previous recouped 47.05 at 6,755.54, the Tokyo SE index rallied to 467.31. Volume 270m (240m).

day on disappointing oil
ing news, recovered ¥110 to
10. Teikoku Oil retrieved
to ¥140 and Mitsubishi Oil
to ¥370.
port-oriented Light Elec
ics, together with Trading
and Real Estates, closed
ally higher. Sony rose ¥2
2,200 and TDK Electronics
to ¥2,280, while Trading
the Mitsubishi gained ¥3 to
¥1,000. Real Estate moved
and ¥38 to ¥820.
hichi Glass put on ¥3 to ¥398
sponse to an 18 per cent rise
sheet glass prices, while
on Sheet Glass climbed ¥11
¥73 in sympathy.
contrast, Hitachi eased ¥1
¥4 despite its announce
ment of a record con
ated net income for the year
last March.

are prices generally lost but closed above their for the day. Market obser-

cent against the trend, adding 5 cents at A\$1.85 in response to a reshuffling of Greenvale and Esperance interests which gives Alpha control of the Alpha stake.

Magellan Oil continued to strengthen, gaining 30 cents to \$6.80. The formalisation of BP's takeover offer for Shell

... saw the latter rose
cents to A\$3.80, but rumours
a takeover of RTZ saw local
affiliate, CRA, firm 4 cents to
\$5.64.

Hong Kong
Profit-taking left shares mainly
easier yesterday, following
Monday's fresh upsurge on
speculation of a possible merger.

Jardine Matheson and Hong Kong Land. The Hang Seng index receded 13.91 to 1,071.34 from the new seven-year peak reached the previous day. Total

changes was a substantial
K\$342.27m, although below
Monday's HK\$408.46m.

after respective rises of HK\$3.76 and 40 cents the previous day. HHH Wharf lost HK\$2 to HK\$76. Cheung Kong 30 cents to

HK\$16.10, Hutchison Whampoa
 cents to HK\$10.60 Sun Hung
 Properties 50 cents to
 HK\$13.10, World International
 cents to HK\$3.90, Green
 and Cement HK\$1 to HK\$

and China Light 10 cents to HK\$21.20. However, HK Tele-
phone added 20 cents at
HK\$26.00 and Cross Harbour 10
cents at HK\$11.30.

Johannesburg
Gold issues continued to rise
with the Bullion price in
moderate activity. Hardly

De Beers advanced 20 cents to 1.60 ahead of half-yearly diamond sales figures from the

BELGIUM (cont.)	
July 8	
87%	Petrofina
11%	Royale Belge
11%	Soc Gen Bank
11%	Soc Indus
11%	Sofina
11%	Solvay
11%	Solvay
11%	UBC
11%	Union Miniere
11%	Vielito Mont
DENMARK	
July 8	
11%	Adalabank
11%	Baltica Skand
11%	Emprunt 7% 1972
11%	Genl Bank
11%	Co Handelsbank
11%	D Sukkerfab
11%	Forned Bank
11%	East Asiatic
11%	Finsbank
11%	Forned Bank
11%	Forned Bank
11%	GNT Hldg
11%	Nord Kabel
11%	Provind Bank
11%	Papirfabriker
11%	Privatbanken
11%	Provind Bank
11%	Smith (FL)
11%	S Rendement
11%	Superior
FRANCE	
July 8	
75%	Emprunt 4 1/2 1978
75%	Emprunt 7% 1972
75%	CNE SF
75%	Africa Occide
75%	Africa Occide
75%	Africa Occide
75%	Aquiline
75%	Aut printemps
75%	BIO
75%	BIO
75%	Bouygues
75%	BSN Gervais
75%	BSN Gervais
75%	BSN Gervais
75%	Club Mediter
75%	CGE
75%	CGE
75%	CGE
75%	Cie Bancaire
75%	Cie Gen Eaux
75%	Colfimes
75%	Colfimes
75%	Colfimes
75%	CP
75%	DNEL
75%	Dumaz
75%	Ferodo
75%	Gen Occident
75%	Intel
75%	Lafarge

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	Price	+ or -	
	70.6	-0.9	A
	59.8	+0.5	A
	53.9	+0.5	B
	296.5	+0.5	C
	84.5	-0.3	D
	172.5	-0.6	E
	86.6	-0.6	F
Tel.	22.2	-0.2	G
	29.1	-0.2	H
	13.7	+0.5	I
	67.50	-0.5	J
ase.	27.9	+0.4	K
	58.76	+0.9	L
	17.0	-0.1	M
glass.	16.5	-0.5	N
	24.6	-0.1	O
	111.2	+1.2	P
	118.3	+0.3	Q
nk.	230	-1.6	R
	86.5	+0.6	S
nk.	10.2	-0.3	T
	29.2	+0.4	U
	39	+0.6	V
	14.1	-0.5	W
	74.8	-1	X
	106.6	+1.1	Y
	162.1	-0.6	Z
	115.5	+0.8	A
	159.8	-0.6	B
	209.4	-0.6	C
g-	154	-1	D
	100	+0.1	E
	55	-1	F
	100	+0.1	G
nk	50	+1.5	H
	218	+0.5	I
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100	100
90	90
80	80
70	70
60	60
50	50
40	40
30	30
20	20
10	10
0	0
-10	-10
-20	-20
-30	-30
-40	-40
-50	-50
-60	-60
-70	-70
-80	-80
-90	-90
-100	-100

Germany

July 8

AEG-Telef.
Allianz Vers.
Bayerische
BAYER
Bayer-Hypoth.
Berl. Handelsg.
BHP-Sankt
BMW
Com. u. Sav.
Commerzbank
Cont. Gummi
Cont. Warenf.
Degussa
Deutsche Bank
Deutsche Bank
DU Schult.
E.ON AG
Hahn, Lohnd.
Hoechst
Hoesch AG
Hortens.
Huls AG
Karstadt
Kaufhof
KfW
Krupp
Krupp AG
Lufthansa
MAN
Mannesmann
Marcedes Hg.
Mittelbank
Muench. Rück.
Prensbank
Rhein. u. Elb.
Rosenthal
Scherling
Hemont
Thyssen
Veba
Verein-Wag.
Volkswagen

2	+3	
4	+8	
5	+1	July
6	+0.1	Bergens B.
7	+0.1	Borregaard
8	+0.1	Brattnes
9	+7	Eikem.
10	+7	Elverum
11	+0.1	Fagernes
12	-1	Norsk Hyd.
13	+0.1	Storvik
14	+0.1	SWEDEN
15	+0.1	July
16	+8	AGA-
17	-8	Alfa-Laval
18	+0	Alfa Corp.
19	+0	Bofors
20	+0	Delundis
21	+0	Enso
22	+0	Ericsson
23	+0	Gröndals
24	+0	Fagersta
25	+0	Greengas
26	+0	Mo och
27	+0	Saab
28	+0	Sandvik
29	+0	Scania
30	+0	SKF
31	+0	Electrolux
32	+0	SKF
33	+0	Östen
34	+0	Tandem
35	+0	Uddevalfva
36	+0	Volvo
37	+0	SWITZER
38	+0	July
39	+0	Alusuisse
40	+0	Alusuisse
41	+0	Ciba-Geigy
42	+0	Chemie
43	+0	Credit Suisse
44	+0	Electrolux
45	+0	Hot-Rocher
46	+0	Interfood
47	+0	Interchem
48	+0	Jelmoli
49	+0	Lafarge
50	+0	Mettli
51	+0	Or-Buhrle
52	+0	Or-Buhrle
53	+0	Randco
54	+0	Sandvik (P)
55	+0	Sandvik
56	+0	Swissair
57	+0	Swiss Bank
58	+0	Swiss Bank
59	+0	Swiss Voik
60	+0	Winterthur
61	+0	Zarich Int.

[illegible]

HONG KONG			
July 5	Price	H.K.	+
Bank of China	15.10	100	0
Bank of Communications	2.50	100	0
Bank of India	11.50	100	0
Bank of Japan	5.65	100	0
Bank of Korea	134	100	0
Bank of London	13.90	100	0
Bank of Montreal	7.00	100	0
Bank of New York	26.00	100	0
Bank of Paris	26.00	100	0
Bank of Persia	4.50	100	0
Bank of Portugal	12.10	100	0
Bank of Russia	8.50	100	0
Bank of Spain	5.00	100	0
Bank of Siam	10.00	100	0
Bank of Sweden	10.00	100	0
Bank of Switzerland	10.00	100	0
Bank of the Netherlands	10.00	100	0
Bank of the United States	10.00	100	0
Bank of the West	10.00	100	0
Bank of the East	10.00	100	0
Bank of the South	10.00	100	0
Bank of the North	10.00	100	0
Bank of the Middle	10.00	100	0
Bank of the West Indies	10.00	100	0
Bank of the East Indies	10.00	100	0
Bank of the South Sea	10.00	100	0
Bank of the North Sea	10.00	100	0
Bank of the Baltic	10.00	100	0
Bank of the Black Sea	10.00	100	0
Bank of the Caspian	10.00	100	0
Bank of the Persian Gulf	10.00	100	0
Bank of the Arabian Sea	10.00	100	0
Bank of the Indian Ocean	10.00	100	0
Bank of the Pacific	10.00	100	0
Bank of the Atlantic	10.00	100	0
Bank of the Indian Archipelago	10.00	100	0
Bank of the Malay Peninsula	10.00	100	0
Bank of the Sulu Archipelago	10.00	100	0
Bank of the Philippines	10.00	100	0
Bank of the Celebes	10.00	100	0
Bank of the Moluccas	10.00	100	0
Bank of the East Indies	10.00	100	0
Bank of the West Indies	10.00	100	0
Bank of the South Sea	10.00	100	0
Bank of the North Sea	10.00	100	0
Bank of the Baltic	10.00	100	0
Bank of the Black Sea	10.00	100	0
Bank of the Caspian	10.00	100	0
Bank of the Persian Gulf	10.00	100	0
Bank of the Arabian Sea	10.00	100	0
Bank of the Indian Ocean	10.00	100	0
Bank of the Pacific	10.00	100	0
Bank of the Atlantic	10.00	100	0
Bank of the Indian Archipelago	10.00	100	0
Bank of the			

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1. *Chlorophyll *a** and *Chlorophyll *b** were determined by the method of Arar and Collins (1971) using a Shimadzu 1601 UV-Visible Spectrophotometer.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

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Importers step up apple war

By Our Commodities Staff

BRITISH DISTRIBUTORS are to boycott poor quality French Golden Delicious apples which were blamed by domestic growers last year for depressing their market.

From August 1 importers, wholesalers and main retailers will handle only Grade 1 imports and the French will be warned that any inferior fruit sent to Britain will not be sold in the market.

The agreement, worked out at a meeting of the Fruit Importers Association, the National Federation of Fruit and Potato Traders and the British Multiple Retailers Association, was announced at Brighthelm, Kent, yesterday by Mrs. Margaret Charrington, chairman of the Women's Farming Union.

She said the boycott was "part of a war for survival." Last year about 220,000 tonnes of French apples were sent to Britain, allegedly aided by government subsidies. The depressed prices which resulted were reported to have forced many British growers out of business.

"It would be negligent and cowardly of us not to recognise and confront the invasion from across the Channel," Mrs. Charrington said.

Referring to the burning of Spanish fruit lorries and the adulteration with diesel oil of imported British fish by French farmers recently she added: "When their market is threatened, they retaliate. Why then should we pretend that this is anything other than a fight for the survival of the fittest?"

Portuguese foot and mouth 'contained'

By Jimmy Burns in Lisbon

THE PORTUGUESE Ministry of Agriculture yesterday described as "worrying" an outbreak of foot and mouth disease in Portugal—the first outbreak since 1971—but claimed that the epidemic was being brought under control.

In his first public statement on the disease since first cases of foot and mouth were reported at the beginning of June, Sr. Antonio Cardoso E Cunha, the Minister of Agriculture, said that 10 calves and 490 suckling pigs had either died or been destroyed so far.

He admitted that his Ministry had been taken by surprise and had lost much ground since the first outbreak of the disease in the north of Portugal. However, he said, the epidemic was being brought under control.

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Temporary ban on soya export registrations

RIO DE JANEIRO — Brazil has suspended soyabean oil and meal export registrations temporarily, the foreign trade department of the Banco do Brasil said yesterday.

The suspension is likely to last only one or two days. Caxex suspended registrations just before a meeting yesterday between Caxex and the presidents of the crushing industry associations.

The suspension is to allow Caxex to assess the present position on export quotas and registrations for the current 1980-81 crop.

Aluminium output to be cut

By Our Commodities Staff

ALCOA, the world's biggest aluminium producer, announced yesterday it was cutting output to bring production more into line with reduced demand. The company is to close one pithead at its Warrick, Indiana, smelter and another at Rockdale, Texas, to "adjust" stocks during the current economic downturn.

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U.S. officials said this was an indication that the embargo might be dropped, if it was seen not to be working.

They pointed out that Ronald Reagan, Republican Presidential candidate had recently called for the grain embargo—imposed in January—to be lifted on the grounds that it was ineffectual. The Administration is known to be increasingly concerned by the growing opposition to the embargo from U.S. farmers in presidential election year.

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The decline was attributed by traders to selling by speculators taking their profit after the recent sharp rise. It was believed there might also have been some selling by the Bogota group of producers.

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NZ protests to EEC on butter

By Richard Mooney

NEW ZEALAND protested yesterday at EEC proposals to reduce access for its butter. The EEC Commission wants to cut New Zealand's butter shipments to 90,000 tonnes by 1984 compared with 115,000 tonnes this year. Most of the cut would come next year when the total would go down to 97,500 tonnes. In 1982 it will be 95,000 tonnes and in 1983 it would be 92,500 tonnes.

"A reduction of the size proposed would face us with a daunting task," said Mr. Ken Mehrharts, chairman of the New Zealand Dairy Board, in Wellington. "Whether my industry could succeed would depend heavily on the Community's actions."

He said New Zealand's dependence on the UK market had been reduced for all dairy products—except butter. There simply are not dependable markets elsewhere on which we could build a future unless the Community undertakes to cut its own exports.

Most of the industrialised world was closed to New Zealand butter and progress on creating new markets in the developing world was slow, Mr. Mehrharts stated.

New Zealand had done everything it could to adapt to British membership of the Common Market and its exports of dairy products to Europe had fallen by almost 200,000 tonnes, or 60 per cent, in 10 years, he said.

He said the Community had shown recently that it could, if it chose, manage its surplus, save its taxpayers money, and permit export prices to revive.

Ten years ago, when New Zealand had free access to the UK market, it sold 160,000 tonnes of butter and 60,000 tonnes of cheese in Britain. When Britain joined the Community in 1973 it negotiated preferential access for NZ produce until 1982. But shipments have nevertheless been cut to 115,000 tonnes for butter and 10,000 tonnes for cheese.

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The Commerce Department has proposed licensing procedures calling for export of 8m tonnes, but no more than 5m of either wheat or maize.

A mission from the Soviet Union has arrived in Buenos Aires to negotiate a medium-term agreement covering the purchase of Argentine grains and oilseeds, according to the Argentine Grain Board.

The Board could not say what quantities are likely to be involved but thought the figure of 4m tonnes annually quoted by an Argentinean newspaper yesterday seemed too high.

The mission is expected to stay in Argentina until the weekend.

Coffee down sharply

By Our Commodities Staff

COFFEE PRICES fell sharply on the London and New York futures markets yesterday, in spite of reports that further exporting countries had decided to suspend sales at present levels. On the London Robusta futures exchange the September position dropped by 55¢ to close at \$1,427.5 a tonne. In New York coffee futures fell the permissible limit-down at 6 cents a pound in early trading.

The decline was attributed by traders to selling by speculators taking their profit after the recent sharp rise. It was believed there might also have been some selling by the Bogota group of producers.

London traders claimed that two other members of the group—El Salvador and Nicaragua—have withdrawn from the market in line with other Latin and Central American producing countries, led by Brazil. No official announcement is expected since neither of the two countries have official export registration systems.

Aluminium output to be cut

By Our Commodities Staff

ALCOA, the world's biggest aluminium producer, announced yesterday it was cutting output to bring production more into line with reduced demand. The company is to close one pithead at its Warrick, Indiana, smelter and another at Rockdale, Texas, to "adjust" stocks during the current economic downturn.

The two pitheads being closed have an annual production capacity of 75,000 short tons. About 130 workers are being laid off as a result of the shutdowns.

On the London Metal Exchange yesterday metal prices rose initially following the upward trend in gold, but then fell away in line with gold reacting to rumours that the former Shah of Iran had died.

The exception was tin, which gained ground, reflecting a strong recovery in the Penang market overnight.

Free market platinum prices rose sharply in the morning reaching the highest level for four months. However, the decline in gold brought a smaller fall in platinum to \$721.5 (€303.60) a troy ounce. This was still \$5.25 up on the previous day, but the market lost further ground in late trading.

London dealers noted that the free market for platinum is now almost totally controlled by speculators with very little trade involvement.

While free market prices have risen recently, in line with gold, the South African producer quotation remains unchanged at \$420 an ounce.

Demand is reported to be strong from the motor and jewellery industries, the two main outlets for producer platinum. This is encouraging a rise in the producer price nearer to the free market level.

U.S. hint on grain ban

By Our Commodities Staff

NEW YORK—Edmund Muskie, U.S. Secretary of State, hinted here that the U.S. could possibly drop its partial embargo on grain sales to the Soviet Union, following pressure from mid-west farmers. If the embargo proved to be ineffective, reports Reuters.

Echoing President Carter's statement earlier this week, Mr. Muskie told the Foreign Policy Association meeting that the embargo had been effective and should be retained to register disapproval of Russia's intervention in Afghanistan. However, he noted the effectiveness of the embargo depended on the size of this year's crop on the Soviet Union.

Mr. Muskie said he was not prepared to say at present whether the Administration would yield to pressure from U.S. farmers for the embargo to be lifted if the Soviet harvest was substantial and the embargo proved ineffectual.

U.S. officials said this was an indication that the embargo might be dropped, if it was seen not to be working.

They pointed out that Ronald Reagan, Republican Presidential candidate had recently called for the grain embargo—imposed in January—to be lifted on the grounds that it was ineffectual. The Administration is known to be increasingly concerned by the growing opposition to the embargo from U.S. farmers in presidential election year.

The latest forecast from the U.S. Department of Agriculture estimates this year's Soviet grain crop at between 190 to 220 million tonnes. This compares with the poor 1979 output of 178 million tonnes but is still far below the record 1978 crop of 237 million tonnes.

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India forecasts increased rubber output

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LONDON STOCK EXCHANGE

Markets unable to hold good early gains and boil over
June banking statistics fail to inspire Gilt-edged

Account Dealing Dates
Options
*First Declara- Last Account
Dealing tions Dealings Day
June 30 July 10 July 11 July 21
July 14 July 24 July 25 Aug 4
July 28 Aug 7 Aug 8 Aug 18
New time dealings may take
place from 9 am to 2 business days
earlier.
Overnight confidence spilled
over into the early trade yester-
day in London stock markets
which soon extended the recent
upsurge. Government securities
added to Monday's late gains
and put on nearly a full point on
fresh overseas and domestic in-
vestment support. Most leading
shares followed with gains rang-
ing from a penny to double
figures as both markets awaited

the mid-afternoon announcement
of the latest banking statistics.
Business in all sectors con-
tinued initially at the recently
enhanced levels but faded quite
abruptly shortly before noon
when profit-taking began to make
its presence felt. Improve-
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to about 1 and then erased com-
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figures which suggested that
sterling M3 had grown during
the month by around 7 per cent,
more than had been expected.
For the remainder of the
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LONDON TRADED OPTIONS

			July		Oct.		Jan.	
Option	Ex-Trade	Closing	Vol.	Closing	Vol.	Closing	Vol.	Equity
	price	offer		offer		offer		close
BP	300	64	—	73	14	86	—	389p
BP	330	34	—	50	13	66	—	—
BP	360	12	23	32	18	56	2	—
BP	390	4	—	20	30	34	—	—
BP	420	6	—	12	6	58	—	168p
Com. Union	100	62	—	7	93	—	—	—
Com. Union	140	22	57	28	4	54	—	—
Com. Union	160	7	13	14	46	30	—	560p
Cons. Gold	500	63	—	16	50	57	78	—
Cons. Gold	600	4	14	32	14	46	50	—
Courtaulds	60	26 1/2	—	10	51	36 1/2	—	86p
Courtaulds	70	16 1/2	—	21 1/2	44	24 1/2	11	—
Courtaulds	80	6 1/2	33	15	34	17	—	—
Courtaulds	90	2	13	17	13	15	—	—
GEC	390	62	10	81	—	97	—	449p
GEC	420	32	19	56	41	74	1	—
GEC	500	6	6	6	28	10	—	—
Grand Met.	130	37	—	41	8	47	10	166p
Grand Met.	140	27	89	32	18	58	—	—
Grand Met.	160	8	27	18 1/2	92	26	15	—
Grand Met.	180	5	—	12	45	17	—	—
ICI	360	33	5	44	—	56	—	398p
ICI	390	8 1/2	56	21	20	38	2	—
ICI	420	1 1/2	—	10	14	—	—	—
Land Soca.	323	26	1	45	40	57	—	348p
Land Soca.	353	7	1	26	6	39	—	—
Mars & Sp.	80	17	21	11	6	23	—	96p
Mars & Sp.	90	7 1/2	57	13	16	16	3	—
Mars & Sp.	100	2	38	7 1/2	11	11 1/2	44	—
Shell	360	54	5	66	—	—	—	411p
Shell	390	27	36	45	10	58	—	—
Shell	420	6	56	24	39	35	—	—
Totals			617		771		176	—
			August		November		February	
Imperial Gp.	70	20	—	22 1/2	—	35 1/2	2	89p
Imperial Gp.	80	10 1/2	102	15	2	17 1/2	—	—
Imperial Gp.	90	4 1/2	99	7 1/2	2	11 1/2	6 1/2	109p
Lomrho	100	15 1/2	20	20	2	22	—	—
Lomrho	110	9	16	15	18	18	10	125p
P. & O.	110	17 1/2	5	24	2	29 1/2	6	—
P. & O.	120	10	34	14	16	16	—	266p
Racal Elec.	200	69	5	81 1/2	3	—	—	—
Racal Elec.	240	22	21	47	—	58	—	—
Racal Elec.	280	18	36	33	4	44	—	—
Racal Elec.	320	9	17	22	55	3	2	—
RTZ	390	27	30	105	125	—	—	475p
RTZ	420	35	11	60	75	—	—	—
RTZ	500	19	11	—	—	—	89	—
Totals			355		153			—

Have you found out about investment with

FIDELITY

Full details from
Fidelity International Management Ltd.,
Buckingham House, 62/63 Queen Street,
London EC4R 1AD. Tel: 01-248 4897.

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Price	% Chg	Yield
1000	100.00		
1001	100.00		
1002	100.00		
1003	100.00		
1004	100.00		
1005	100.00		
1006	100.00		
1007	100.00		
1008	100.00		
1009	100.00		
1010	100.00		
1011	100.00		
1012	100.00		
1013	100.00		
1014	100.00		
1015	100.00		
1016	100.00		
1017	100.00		
1018	100.00		
1019	100.00		
1020	100.00		
1021	100.00		
1022	100.00		
1023	100.00		
1024	100.00		
1025	100.00		
1026	100.00		
1027	100.00		
1028	100.00		
1029	100.00		
1030	100.00		
1031	100.00		
1032	100.00		
1033	100.00		
1034	100.00		
1035	100.00		
1036	100.00		
1037	100.00		
1038	100.00		
1039	100.00		
1040	100.00		
1041	100.00		
1042	100.00		
1043	100.00		
1044	100.00		
1045	100.00		
1046	100.00		
1047	100.00		
1048	100.00		
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1076	100.00		
1077	100.00		
1078	100.00		
1079	100.00		
1080	100.00		
1081	100.00		
1082	100.00		
1083	100.00		
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1087	100.00		
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1090	100.00		
1091	100.00		
1092	100.00		
1093	100.00		
1094	100.00		
1095	100.00		
1096	100.00		
1097	100.00		
1098	100.00		
1099	100.00		
1100	100.00		

Five to Fifteen Years

Stock	Price	% Chg	Yield
1000	100.00		
1001	100.00		
1002	100.00		
1003	100.00		
1004	100.00		
1005	100.00		
1006	100.00		
1007	100.00		
1008	100.00		
1009	100.00		
1010	100.00		
1011	100.00		
1012	100.00		
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1038	100.00		
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1095	100.00		
1096	100.00		
1097	100.00		
1098	100.00		
1099	100.00		
1100	100.00		

Over Fifteen Years

Stock	Price	% Chg	Yield
1000	100.00		
1001	100.00		
1002	100.00		
1003	100.00		
1004	100.00		
1005	100.00		
1006	100.00		
1007	100.00		
1008	100.00		
1009	100.00		
1010	100.00		
1011	100.00		
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1096	100.00		
1097	100.00		
1098	100.00		
1099	100.00		
1100	100.00		

Undated

INTERNATIONAL BANK

77 1/2 78 1/2 79 1/2 80 1/2 81 1/2 82 1/2 83 1/2 84 1/2 85 1/2 86 1/2 87 1/2 88 1/2 89 1/2 90 1/2 91 1/2 92 1/2 93 1/2 94 1/2 95 1/2 96 1/2 97 1/2 98 1/2 99 1/2 100 1/2

CORPORATION LOANS

174	[Treasury Dept.]	254	[12.45]
INTERNATIONAL BANK			
78	[Spec Stock 77-82]	672	[11.27]
CORPORATION LOANS			
1000	[1000] 100.00	672	[11.27]
1001	[1001] 100.00	672	[11.27]
1002	[1002] 100.00	672	[11.27]
1003	[1003] 100.00	672	[11.27]
1004	[1004] 100.00	672	[11.27]
1005	[1005] 100.00	672	[11.27]
1006	[1006] 100.00	672	[11.27]
1007	[1007] 100.00	672	[11.27]
1008	[1008] 100.00	672	[11.27]
1009	[1009] 100.00	672	[11.27]
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333	333	Perk. Ref. 10p	16				

A selection of Options traded is given on the London Stock Exchange Report page

BANBURY BUILDINGS PROMISES FULL CO-OPERATION

Probe into 'VAT-free' scheme

BY MICHAEL CASSELL

CUSTOMS and Excise officers are investigating possible irregularities in the operation of a VAT-free scheme for customers being operated by Banbury Buildings, the home improvement division of London Brick.

On Monday, a team of nearly 50 VAT officials made simultaneous visits to the headquarters of the company at Banbury and its 20 national display centres which are situated as far apart as Sevenoaks in Kent and Edinburgh. Employees were questioned and company documents were taken away.

The Customs and Excise Department refused to comment on the moves but it is understood that their investigations are centred on Banbury Buildings' "VAT-free" scheme for customers.

The company, which is a subsidiary of London Brick Buildings, manufactures and sells a wide range of pre-fabricated buildings, including garages, conservatories and home extensions.

Under its "VAT-free" scheme, which is similar to that adopted by many other pre-fabricated manufacturers, Banbury can sell products to customers as zero-rated goods, provided assembly involves a bona fide builder and forms are signed to that effect.

The company makes a 25% surcharge which is passed on to the nominated builder in part-payment for his services. Turnover of Banbury Buildings was

last year understood to be in the region of £20m, and it is thought that up to £5m of sales could have involved the "VAT-free" facility.

Mr. Michael Wright, deputy chairman and managing director of London Brick, last night confirmed that every Banbury Buildings outlet had been visited by Customs and Excise officials.

Mr. Wright described the "VAT-free" scheme as "a perfectly legitimate and properly constructed arrangement" for a company which sold products in component form to be assembled at a later stage.

He added: "We can supply products without charging VAT if they are to be erected by a

builder but it is apparently being suggested that some customers have been nominating fictitious contractors in order to escape VAT liability."

Mr. Wright said that all Banbury Buildings employees had standing instructions to adhere rigidly to the rules laid down for operation of the scheme. London Brick would co-operate at all levels with the Customs and Excise Department during its inquiries, he added.

Last year, London Brick saw taxable profits fall from £14.08m to £12.74m and the directors said that the results for London Brick Buildings had been particularly disappointing, with high interest rates and reduced mortgage facilities restricting sales.

Ford takes best-ever 32.7% in UK

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD TIGHTENED its grip on the UK new car market in the first half of 1980, taking a 32.7 per cent share—the best half-year penetration achieved by the company.

In contrast, BL will have to struggle very hard if it is to meet its target of a 20 per cent market share for the full year. Following an appalling June, when its penetration dropped to only 13.18 per cent, BL's share after six months was 17.88 per cent.

The relative positions of the two companies is highlighted by the fact that in June the Ford Cortina, Britain's best-selling car, achieved sales of 18,470 representing a market share of nearly 15 per cent, compared with BL's total sales of 16,292.

To achieve its first-half share, however, Ford imported 51,239 per cent of the 284,818 new cars it sold. This was close to the highest imported proportion Ford has yet recorded.

But the group has now cut imports of built-up cars by about a half and this will increasingly show up in new car registrations. In June, for example, the import content in Ford's sales was down to just over 45 per cent against 48 per cent at the same time in 1979.

As the Society of Motor Manufacturers and Traders, which compiles the statistics, points out today, comparisons for June and the first half were distorted by pre-Budget buying last year.

Not only did customers anticipate a potential tax rise but the Budget itself gave buyers several days grace between the announcement of a rise in VAT from 8 to 15 per cent and its implementation.

Consequently, registrations in June, 1979 reached a record 200,172. This year the total for the month, 123,598, still represented the third-highest June figure since 1973.

TOP TEN SELLERS—JUNE	
1. Ford Cortina	18,470
2. Ford Escort	12,432
3. Ford Fiesta	7,134
4. Austin-Morris Mini	4,148
5. Vauxhall Chevette	3,873
6. Morris Marina	3,724
7. Renault 18	3,399
8. Ford Capri	3,280
9. Ford Granada	3,280
10. Fiat Mirafiori	3,098

During the first six months of 1980 new car sales at 869,168 compared with 1,031,350 in the same period last year, and 868,955 in the first half of 1978.

The SMMT maintains that the six-month figures are in line with its forecast that registrations for the full year will be 1.5m against 1.71m for 1979.

Sir Terence Beckett, chairman of Ford UK, echoed the SMMT's views last night when he said: "It is all too easy to be depressed by comparisons with

last year's 1.71m market which was unprecedented. The industry forecast of 1.5m car sales in 1980, which we still support, is very much in line with most other recent years."

Ford's decision to build more cars for sale in the UK was reflected in the June figure for total imports which was below the record level (60.1 per cent in November last year) at 58.9 per cent of UK sales in spite of BL's poor performance in the month. This compared with 56 per cent in June 1979.

Imports for the half-year reached 37.6 per cent registrations against 55.44 per cent at the same stage last year. And during the six-months, sales of Japanese cars came to 10.6 per cent of registrations compared with 9.8 per cent in 1979 and in line with the expectation that the Japanese will hold their UK market share this year to between 10 and 11 per cent.

Table, Page 6

Wholesale prices in U.S. up sharply

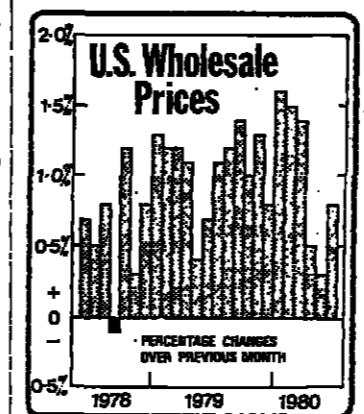
By Jurek Martin in Washington

WHOLESALE PRICES in the U.S. rose significantly faster in June than in the previous two months, the Labour Department reported yesterday.

The producer price index went up by 0.8 per cent in the month, having advanced by only 0.5 per cent and 0.3 per cent in April and May respectively, with almost all sectors except energy increasing markedly.

The June performance is, of course, nothing like as bad as the early months of the year, when wholesale and consumer prices were going up at an 18-20 per cent annual rate. Over the last 12 months, the producer price index has risen by 13.5 per cent.

But such increases normally show up sooner or later at retail level and the June figures cast at least some doubt on the Administration's predictions that towards the end of the summer consumer



prices will only be rising at an annual rate of 6-8 per cent.

Food prices, notoriously volatile, went up by 0.7 per cent last month, having barely risen at all in May. The severe heat and drought in agricultural heartland of the Midwest and other prime farming regions could mean further upward pressure.

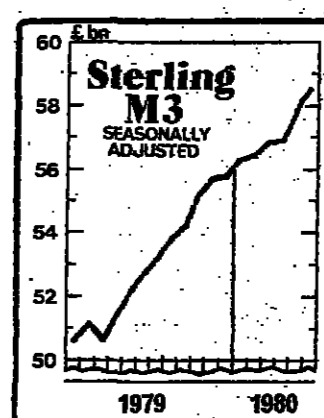
The Administration is due to publish its updated mid-year economic review on July 21. Yesterday, the Washington Post reported, on the basis of preliminary figures going into this exercise, that the Administration believes consumer prices will rise by 11.9 per cent in 1980.

This would be an improvement on last year's 13.4 per cent increase and is below the 12.8 per cent estimate produced at the same time as the March 14 anti-inflation package for 1981, the newspaper said, a 9.8 per cent advance in consumer price is anticipated.

THE LEX COLUMN

Monetarism with a difference

Index fell 2.3 to 492.7



strengthening of sterling cost over £20m, and it could well be that the squeezing of export margins was responsible for some three-quarters of this, the rest being attributable to the translation effects on the prices of overseas subsidiaries—changes in aggregate these are thought to be slightly higher in terms of local currencies.

With sterling riding over higher this year—at around £2.37 yesterday—the squeeze on Rothmans must be getting even more intense. It is cutting down where it can, and has still been managing to push up volume (by 6 per cent in group terms last year), while the interest burden should soon start to ease a little. But only a currency turnaround can prevent another fall in profits.

new offering, Treasury 12 per cent 1987, no longer looks irresistibly attractive, but it may receive some support from the foreign institutions for which it appears to have been designed. The domestic long-term institutions must now be very short of liquidity, while the traders, operating against an unfriendly backward-sloping yield curve, will continue to second-guess the strength of foreign demand.

Rothmans International

The Board of Rothmans International scores high for generosity this year—the gross dividend is up 25 per cent against a 15 per cent rise last time—but low for logic, for the profits buoyancy of 1978-79 has been replaced by a tumble of 18 per cent pre-tax to £80.5m for 1979-80. The weakness evident at half-time, when the decline was 11 per cent, has been followed by a drop of almost a quarter in October-March. This outcome was well below market expectations, but the share price eased only 1p to 47p yesterday—perhaps because the yield is now within a whisker of 10 per cent, and cover on a fully diluted basis is still nearly 5 times.

The dollar gets most of the blame for Rothmans' setback. In the good old days the group earned fat margins on its UK export trade, mostly to the Middle East, but sterling costs have more recently been biting deeply into dollar revenues—and it is hard to raise export prices because American companies like Philip Morris and Reynolds are now hot on Rothmans' heels in its best overseas markets. In all, the group claims that in 1979-80 the

Life is still very tough in the town. As John Waddington checked in with another set of depressing figures yesterday, the latest accounts from Lesney Products showed that the group has come to a new agreement with its bankers in the UK and the U.S. since the year-end in January. As a result, it will be able to cope with seasonal increases in its debt, but in return, just about all its loans have been switched on a secured basis, with fixed floating charges on its UK and U.S. assets. At the end of January the group had term loans and overdrafts of £45.7m, supported by shareholders' funds of £39.3m.

A large part of this debt is related to Lesney's inflated stock levels (fixed assets only amount to £23.9m), and its future depends on its ability to improve its working capital ratios. Sales have risen by two-thirds in the past two years, but stocks have more than doubled, and in an effort to reverse this trend the group has been obliged to cut its workforce by 30 per cent and budget for a substantial cut in production this year.

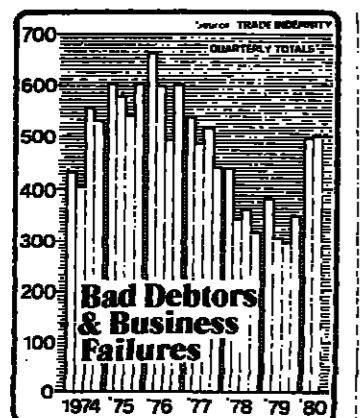
Meanwhile its auditors have drawn attention in their report to the note in the directors' report concerning Lesney's new arrangements with its bankers. This conforms with the new auditing standards and does not represent a qualification, rather it is intended simply to emphasise an item of material financial importance. What users of the accounts are to make of such a subtle emphasis is another matter, and it is to be hoped that auditors will not slip back into their bad old "hieratic" ways.

Business failures increase

BY ALAN FRIEDMAN

THE NUMBER of bad debtors and business failures increased sharply in the first half of this year. According to Trade Indemnity, one of Britain's largest underwriters of credit insurance, the number of irrecoverable debts and business failures in which its policyholders became involved grew by nearly 46 per cent in the first half of 1980. The total of 993, compared with 682 in the first six months of 1979.

Retail and wholesale distribution business failures were 29.5 per cent higher in the same period with a particularly large increase in the second quarter. In the three



months to June, 102 retail/wholesale businesses failed compared with 70 in January-March.

Trade Indemnity's figures also reveal a continued quarterly increase in bad debtors and failures.

A breakdown by sector shows that textile failures more than doubled in the first six months of 1980: 160 textile companies were reported against 79 a year before.

Engineering failures were 96 per cent higher (from 105 last year to 206 in the first half of 1980), with general engineers and metal manufacturers and processors making up more than half the number.

\$3bn Jubail deal agreed

AGREEMENT on a \$3bn joint venture petrochemicals complex at Jubail in Saudi Arabia has now been reached by Pecten Arabian, part of the Shell group, and SABIC—the Saudi Basic Industries Corporation.

The Shell group is expected to receive as much as 200,000 barrels a day of crude oil as part of the deal—plus some of the basic chemicals that will be made at the new Jubail complex.

Barclays to launch new account

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

BARCLAYS BANK yesterday became the first of the major clearing banks to announce new forms of savings and deposit accounts for personal customers.

The move is seen as the first stage in plans by the banks to introduce savings plans for individuals competitive with those of the building societies.

Barclays will launch two new accounts on September 1.

The first, the bonus savings account, is for people who can save £10 or more each month for a minimum of 12 months. The interest rate will be fixed at a margin, initially 1 per cent above 7-day bank deposit rate.

At present that would mean a 15 per cent annual rate of interest, against 14 per cent on ordinary deposit accounts.

The second account, the investment account, is aimed at personal and business customers willing to deposit sums of £5,000 to £50,000 for either three or six months. The interest rate will reflect market rates, but will be fixed for the period. At present it also would be 15 per cent.

The Barclays move marks a departure from the situation where the only savings account ordinary individuals could have with a clearing bank was the seven-day deposit account. Mr. Brian Pearce, a Barclays general manager, said yesterday that other savings accounts may be launched later. "These new savings schemes are another step in a substantial broadening of our services. We hope the new schemes will help us to attract not only rainy-day savings but a greater share of the investment savings market."

As part of a general programme to increase their shares of the retail banking market all the other clearing banks are expected to follow Barclays' lead later this year. All said yesterday that they had their own schemes ready to go once a decision is taken.

One clearer said it was reluctant to move at this stage because of the Bank of England's guidelines about restricting lending to individuals. The implication of the Barclays move, it said, was that Barclays was intending to increase its personal lending.

All the clearers now admit that they intend to become substantially more involved in mortgage lending over the next year.

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EEC to curb sales of U.S. yarns

BY GILES MERRITT IN BRUSSELS

MEASURES to reduce sharply sales of U.S.-made polyester filament yarns in the European Community are to be announced shortly by the Brussels Commission.

As a result of the anti-dumping investigation launched by the EEC three months ago, provisional duties of up to 20 per cent are to be introduced against the yarns to prevent U.S. textile merchants from undercutting European producers.

At the same time, U.S. manufacturers of man-made fibres have indicated they are prepared to negotiate price increases of 20-25 per cent.

The anti-dumping measures will give much-needed relief to European fibre makers, who now estimate that almost half of the loss they will make in 1980 as a result of U.S. competition will occur in the market for polyester filament yarn.

For the UK industry, the curbs will further strengthen the protection of the quotas imposed last February on U.S. polyesters and nylon carpet yarns.

The Brussels announcement of the controls is to be made about the end of this month, although European textile industry experts say that in the present tension surrounding U.S.-EEC trade relations it has become a matter of "political timing."

Officials at the European Commission are less concerned, however, about the reaction of the Carter Administration to the coming move to counter U.S. merchants' dumping of polyesters than about the effects of earlier and less drastic curbs by the UK. The U.S. Government's demands for compensation worth \$55m (£23m), for the UK quotas could result in the

withdrawal by both sides of trade concessions between the U.S. and the EEC.

The disagreement over compensation for the UK measures could still become entangled in the forthcoming anti-dumping package being prepared by the Commission. However, the European synthetic fibres producers are understood to be urging prompt action from Brussels. It is being pointed out that while the duties and price undertakings will have a dramatic effect on U.S. sales, and will eventually permit the EEC industry to raise its own polyester filament yarn prices, the curbs may not bite until 1981. With industry prices and contracts fixed three months in advance, even an immediate announcement of measures by the Commission would safeguard only the fourth quarter of this year.

Right-wingers in the union leadership showed their unease by questioning the practicability of making miners' salaries dependent on the coal price. Mr. Trevor Bell of the white-collar section COSA—and a potential candidate for the presidency against Mr. Scargill—warned that miners should be under no illusions about the risks of their claim.

"If the Government do stay out (of the negotiations), there will have to be some dramatic decisions to be made in order to meet the bill we are going to present to the Coal Board," he said.

Present basic rates range up to nearly £102 a week. The NCB estimates the average earnings of the 240,000 mineworkers are about £125-£130 a week, including incentive bonus payments.

Continued from Page 1

Thatcher unruffled by miners

This further pressure was the cause of a Commons Committee row yesterday, when the Government was accused of deliberately "juggling the finances" of the NCB to turn the expected break-even for the past financial year into a £160m book-loss.

Dr. David Owen, Shadow Energy Secretary, said the Government had ordered a "basically fraudulent representation of the accounts" disguising increased output and productivity by the miners.

Moving the conference resolution, Mr. Michael McGahey, NUM vice-president and Scottish area president, said the threat of pit closures and the challenge of imports would not deflect the miners from insisting on the £100 a week minimum. Drawing parallels with the 1971-72 overtime ban and

strike, he said wages were a way of "tackling the Tories over the whole range of their economic policies."

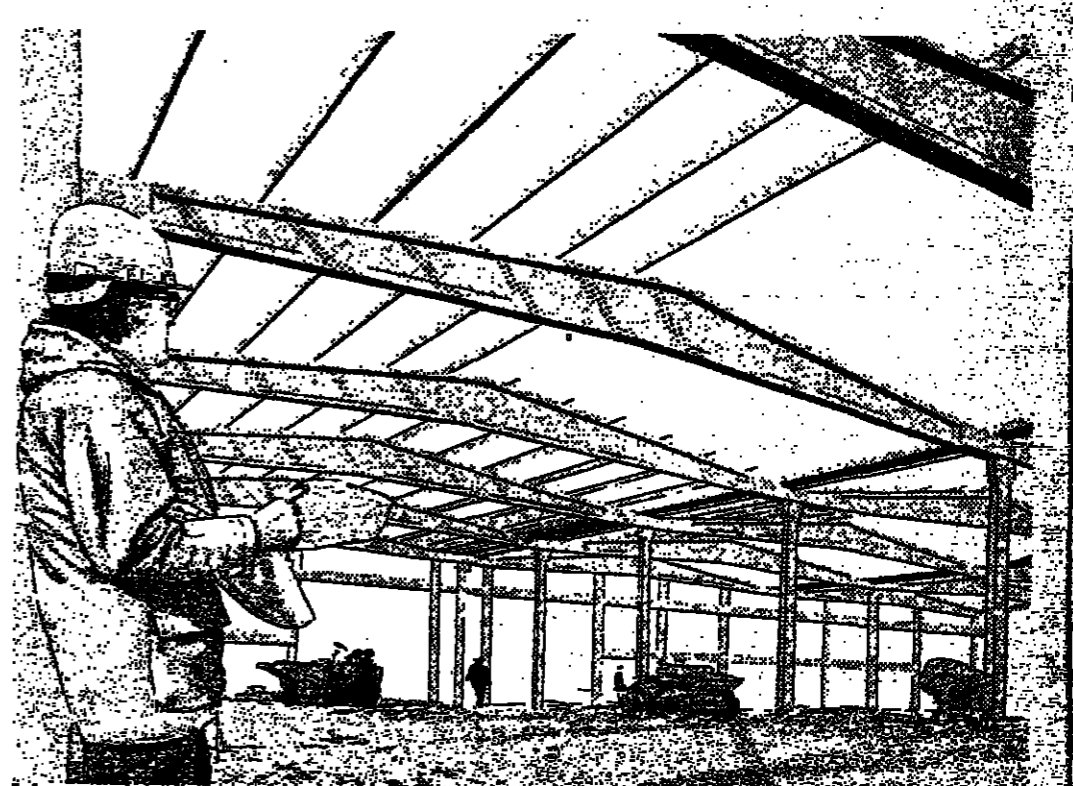
The miners would unite and lead the trade union movement in a struggle against the Government. "It can create the conditions if they want a confrontation—and they will be the people who are confronting us—in which we have the earliest possible General Election and get rid of the Tories," Mr. McGahey said.

He was echoed by Mr. Arthur Scargill, Yorkshire president, who said that if "the woman in Number Ten" wanted a fight it would be of her choosing, not that of the miners. The Government's financial constraints were as much an interference with bargaining as Mr. Heath's incomes policy.

Weather

UK TODAY
MOSTLY CLOUDY with rain London, S. England, Midlands, Channel Isles, N. England.
Mostly cloudy with showers or longer periods of rain and northerly wind. Max 17C (63F).
S.E. England, E. Anglia, E. England, N.E. England, Borders.
Mostly cloudy, outbreaks of rain or drizzle and hill fog patches. Wind northerly 16C (61F).
S.W. England, Wales.
Sunny intervals and showers. Wind north-west. Max. 17C (63F).
W. Scotland, Ulster.
Sunny intervals and showers. Wind northerly. Max. 17C (63F).
Outlook: Long periods of rain and rather cool.

WORLDWIDE	
	Y'day midday
Alicante S 21 30 Lisbon F 22 22	
Algiers S 21 30 Locarno F 18 16	
Amsterdam R 16 61 London R 14 57	
Bahrain S 27 58 Luxembourg C 18 61	
Barcelona S 24 75 Luxembourg C 18 61	
Berlin C 28 82 Madrid C 21 70	
Bombay S 28 82 Malaga C 24 63	
Boston S 28 82 Moscow C 18 64	
Buenos Aires S 28 82 Melbourne C 22 71	
Calcutta S 28 82 Montreal C 22 71	
Cairo S 28 82 New York C 22 71	
Cardiff S 28 82 Perth S 22 77	
Casablanca S 28 82 Rome C 22 77	
Cebu S 28 82 Saigon C 22 77	
Chicago S 28 82 Sydney C 22 77	
Cologne S 28 82 Tokyo C 22 77	
Copenhagen S 28 82 Vancouver C 22 77	
Dublin S 28 82 Wellington C 22 77	
Edinburgh S 28 82 Zurich C 22 77	
Faro S 28 82 Singapore S 21 58	
Florence S 28 82 Stockholm C 18 61	
Frankfurt S 28 82 Sydney C 22 77	
Geneva S 28 82 Taipei C 22 77	
Glasgow S 28 82 Tehran C 22 77	
Hankow S 28 82 Tokyo C 22 77	
Helsinki S 21 70 Toronto C 21 70	
Hong Kong S 28 82 Tientsin C 22 77	
Inverness S 28 82 Valencia C 22 77	
Jersey S 28 82 Vienna C 22 77	
London S 28 82 Warsaw C 22 77	
Lyons S 28 82 Zurich C 22 77	
Manila S 28 82	
Medan S 28 82	
Montreal S 28 82	
Mumbai S 28 82	
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Perth S 28 82	
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